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The Small Business Adviser

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Through Branding**

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EXPRESS



LIKE A ROCK

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PHOTO: T. MICHAEL KEZA

A test case of the EPA's controversial environmental-justice policy centers on a proposed chemical plant in a low-income area of Louisiana. Leroy Raphael, who owns a building-materials firm there, says the plant would stimulate the area's economy. Cover Story, Page 12.



PHOTO: IITOM SOBOLUK—BLACK STAR

Broadway entrepreneur Susan Lee uses branding to familiarize customers with her theater-oriented firm. Marketing, Page 27.

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Editor's Note



PHOTO: MICHAEL McDERMOTT—BLACK STAR

Restaurateurs Caprial and John Pence opened a Portland, Ore., bistro after she won acclaim for culinary talents. *Making It*, Page 64.

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A Controversy Brewing

One of the latest Clinton administration policies causing consternation among business leaders and state and local officials has a lofty-sounding name—"environmental justice"—and it's sparking controversy from Michigan to Louisiana.



PHOTO: T. MICHAEL KEZA

What's behind the policy, and how is it affecting businesses and communities? *Nation's Business* Senior Editors Dave Warner and Jim Worsham explore these questions and the policy's potentially far-reaching implications in this month's cover story, beginning on Page 12.

Among the federal, state, and local officials interviewed for the article was Carol Browner, the U.S. Environmental Protection Agency's administrator, in the photo above. (Warner is in the foreground, and Worsham is in the background.) The two reporters also talked with a wide range of business owners, citizens groups, and others in developing their report. We hope you'll find this story to be interesting and thought-provoking.



PHOTO: T. MICHAEL KEZA

As we completed work on this issue, our long-time leader at *Nation's Business*, Dave Roe, retired after more than 18 years as Vice President/Publishing. (We slipped in the accompanying photo, taken at a meeting with potential advertisers, after he left.)

Dave's tenure is best reflected by one word: "excellence." We will miss him—and the qualities he stood for and the inspiration he provided—tremendously. Yet we'll take heart in knowing that he'll use his special attributes to benefit others in his life's next phase.

Mary Y. McElveen

Mary Y. McElveen
Editor

Nation's Business

Letters



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Web-Based Information Taken With A Grain Of Salt



As an information professional with 20-plus years of experience, I read "All The News That's Fit To Net" [June] with interest but also with a measure of concern.

While the "push-technology" services and personalized World Wide Web search or news providers referenced—not to mention the Internet itself—unquestionably help



people get to information faster, these options are so seductive that what tends to get overlooked is the fact that only the means of delivery is new; in many cases, the same old information is being accessed.

In addition, what many nonspecialists do not realize is that the quality of this content has gone down in recent years. Given that there often is no vetting or copy-checking process for Web-based information, the reliability of much of it needs to be questioned.

At my business-research firm, we use Web and database sources as a starting point, but we always develop the information further through additional sources, interviews, and verification. I suggest the same course of action to your readers, many of whom likely do not have the resources to absorb the pain that can result from bad information.

Deborah C. Sawyer

*President and Director of Research
Information Plus (America) Inc.
Buffalo, N.Y.*

The Advantages Of Selling A Business To Employees



Your article "Selling Your Business: A Preview Of The Process" [Small Business Financial Adviser, August] omit-

ted a valuable opportunity for company owners.

It's an opportunity that has not only financial value but also a productivity value that selling owners can appreciate: that of leaving the company in trusted hands—the employees'.

Selling a company through an employee stock ownership plan, or ESOP, has become a popular way of transferring ownership. ESOPs are financially advantageous in that company distributions and dividends paid to an ESOP are tax-deductible to the company. But there is also a psychological advantage: the security that selling owners have in knowing they are handing over the company to shareholders who have the biggest stake in the company's success.

Employees will want the company to succeed and, because they have a stake in the bottom line, will work to make sure that it does.

Setting up an ESOP is only one of many options that selling owners have, but it is one that should be considered.

J. Michael Keeling

President

The ESOP Association

Washington, D.C.

IRS Overhaul Is Welcome But Could Have A Flaw



Regarding "IRS Overhaul Is Good News For Small-Business Owners" [Dateline: Washington, September], I agree that the measure signed into law by President Clinton on July 22 will provide some balance in business people's dealings with the Internal Revenue Service.

If I understand the law correctly, the IRS now must prove its case against a taxpayer rather than the taxpayer having to prove he or she is innocent.

However, I believe there is one weakness in the law: It could make it easier for the few who intentionally cheat to hide their transgressions. The IRS should be allowed to recover its costs if it proves guilt.

Robert Loscheider

Grand Rapids, Minn.

Welfare Checks Shouldn't Go To Post-Office Boxes



I agree with A.L. Rodenburg and the points he makes in "Four Ideas For Repairing The Social Security Program" [Letters, June]. Especially on target were the suggestions for ensuring that

only living individuals who reside in the United States and are not in prison receive benefit checks.

The same type of simple logic should apply to welfare payments. States should stop sending welfare checks to post-office boxes, as there is no way to determine if the recipient is in need of assistance, no longer lives in the state, or has died.


To collect checks, welfare recipients should have to show up at an office, identify themselves, establish the fact that they live in the state, and provide any other information relative to welfare eligibility.

James C. Hardman

Attorney

*Kalina, Wills, Gisvold & Clark
Minneapolis*

Children Should Keep Noses Out Of Dad's Love Life

 I was appalled at the advice given by both experts in "Aging Dad Finds Romance" [Family Business Case Study, August].

An 83-year-old widower meets a 75-year-old



woman with whom he enjoys lively companionship. He already has handed over majority control of the business to his children, who are all employed with the company. The children are in dire fear of what they call a "gold digger."

Give me a break. I'm sure these little darlings worked hard, but a lot of people work hard and never get a crack at ownership.

Where is trust? Where is the right to privacy? These "kids" apparently have decided that their father's being alone and lonely and playing with his grandchildren is enough for him. How nice of them.

If I were the father, I would lay down the law—in no uncertain terms—that the children cut out such greedy and adolescent behavior and focus on what they already have. Frankly, it's none of their business.

Cameron Kane

Vice President

Harbor Boating, Inc.

Baltimore

Think About The Consequences Of A National Sales Tax



From my perspective as the owner of a retail furniture store, I want to offer a warning to anyone who believes that a national sales tax would be a good alternative to the current income-tax system.

About five years ago, the sales tax in the county where I do business increased by one percentage point. There was a certain amount of urgency among consumers to buy before the increase took effect.

Can you imagine how great the panic to buy would be among consumers trying to beat a sales-tax increase of 10 percentage points or more? There would not be enough merchandise available to handle demand. People would increase their debt load to buy cars, clothes, furniture, appliances, electronics, and more.

After the sales tax took effect, there wouldn't be much demand for that same merchandise—a new car would cost \$1,600 to \$5,000 more, a suit would cost \$40 to \$150 more, and so on. Where would the sales-tax revenue come from then?

Sure, eventually—after, say, one to three years—consumers could spend some of the money they saved from a reduced or nonexistent federal income tax. But most people will have bought durable, big-ticket items before the sales-tax increase took effect. For example, anyone who bought a new car before the increase wouldn't need another new car until three to six years later.

If a national sales tax is to be debated, let's think about all the possible results.


R.L. Bell, Owner

*Reno Gallery of Furniture
Reno, Nev.*

Correction

In "Riding High On Theme Parks" [August], it was incorrectly reported that Gerald King and four partners bought Ride & Show Engineering Inc. in 1995. They bought Kinetix Group Inc., a subsidiary of Ride & Show, and later renamed the firm KX International. It is based in Apopka, Fla. Ride & Show, based in San Dimas, Calif., is still in business.


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
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EPA's New Reach

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Debate is raging over whether a policy that could block permits for industrial plants in minority areas would hurt rather than help the people it is supposed to protect.

When OSHA Calls

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A surprise safety inspection could put you out of business. Are you prepared?

Markets At Risk

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As small firms increase their exports, government policies threaten to limit U.S. trade potential.

The Backlash Against Managed Care

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The rising fever in Washington to impose mandates on managed care could price small firms and their workers out of the health-insurance market.

Building Better Workers

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U.S. companies need a higher-skilled work force. Almost all of them can do something to bring it about.

Can The IRS Be Fixed?

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It's time for a change, say many taxpayers and national leaders. And they're moving ahead to make it happen.

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ENTREPRENEUR'S NOTEBOOK

By Robert Richman

Naming Your Firm? Do Detective Work

Shakespeare had it both right and wrong when he wrote: "What's in a name? That which we call a rose by any other name would smell as sweet."

Three years ago, when my wife, Melinda, and I opened an upscale gift shop in Newtonville, Mass., we derived a name from the characters Nick and Nora of the 1930s and '40s "The Thin Man" detective movies. We thought the name—Nick & Nora Creative Gifts—set us apart from other gift shops that had descriptive names, and it provided a natural extension in our business philosophy—the "Thin Man" characters were always looking for "the goods," so my wife and I searched for what we called "the good goods." Throw in our dog—a Welsh terrier, a similar breed as Asta, the dog in "The Thin Man" movies—and the picture was complete. Or so we thought until last fall, when we were notified that our company's name was already registered to a New York City-based clothing manufacturer.

While we believed that there was little chance that customers could be confused—a key issue in disputes over trademarks and service marks—our legal counsel advised us to change the business name rather than fight a costly battle that we probably would lose.

Though we have made significant investments of time and money in both our old and new names—we're now called PresentCompany Creative Gifts—our customers, to our surprise, haven't seemed to notice the name change. And our sales, which we thought would decline, have grown steadily.

Despite this eventual happy outcome,

Robert Richman is co-owner of PresentCompany Creative Gifts in Newtonville, Mass. He prepared this account with Contributing Editor Susan Biddle Jaffe. Readers with insights on starting or running a business are invited to contribute to this column. Write to: Entrepreneur's Notebook, Nation's Business, 1615 H Street, N.W., Washington, D.C. 20062-2000.



PHOTO: RICHARD HOWARD

Having to change the name of your company can be a hassle, as Melinda and Robert Richman of PresentCompany Creative Gifts discovered.

we found that having to change the name of your company or product can be a hassle. We learned this lesson the hard way, but here are some tips that might help you win the name game from the start:

Seek the unique. The more unusual the name, the better the chances that a trademark or service-mark search by your patent-and-trademark lawyer will come out in your favor. If the name of your business or product is too generic—The Gift Shop, for example—you won't be able to register it. You can make a name stand out by combining unrelated words (Blue Avocado, for example) or including your own name in the shop's name (Gifts by Robert).

Do a complete search. We checked our name only within our state. That's where we went wrong; the clothing manufacturer was based in another state. A complete search of state and national databases costs about \$500, and registering your service mark or trademark with the U.S. Patent and Trademark Office adds as much as \$1,500 to the cost. That's a pitance compared with what it could cost you if you're sued for trademark infringement.

Seek the right advice. Filing your business name with your state government doesn't offer the protections of registering

with the U.S. Patent and Trademark Office. Make sure any lawyer you hire to register a name or to assess your chances in a trademark or service-mark dispute has expertise in trademark law and, if possible, understands small-business issues.

Use the proper notations.

If you register your business or product name, using correct notations is key. While the use of the uppercase notation "TM" after a name provides little in the way of legal rights, it signals not only that you are claiming the name for your product but also that you are knowledgeable about protecting proprietary names and information. Once a name has

been registered, using the registered-trademark symbol "R" carries with it legal rights, including the right to collect damages. That right is waived if the symbol isn't used.

Fight to protect your mark. The clothing manufacturer used the Nick and Nora name for 12 years before we started. While we saw no potential confusion, the other company had the right to protect itself. We're now protecting our new name. Establishing the good name of your business involves too much work to allow others to infringe on it.

WHAT I LEARNED

It's better to pay research costs early to make sure your firm's name is yours alone than to pay for changing it later.



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Business news in brief from the nation's capital.

FEDERAL BUDGET

Tax And Budget Matters Expected To Dominate Congressional Debate

Taxes are expected to be a major topic of debate as Congress races against the deadline for finalizing a federal budget and passing spending bills for fiscal 1999, which begins Oct. 1.

As lawmakers returned from their August recess, the House and Senate remained far apart on the question of how much to cut taxes to take advantage of the projected \$63 billion surplus in the fiscal 1999 budget.

Among the tax items expected to be taken up before the lawmakers go home to campaign for the November elections are several business tax breaks that have expired or are slated to expire. Those items include two tax credits that have proved to be important to many small businesses; both expired June 30.

One is the research-and-experimentation tax credit, which allowed a firm to take a 20 percent credit for research-and-development costs above a base amount of up to 50 percent of the firm's current research expenditures.

The other expired tax break is the work-opportunity tax credit, which allowed a firm to take a credit of 40 percent of the first \$6,000 of wages paid to welfare recipients, high-risk youth, and other disadvantaged people who worked more than 400 hours a year. For those who worked less than 400 hours, the credit was 25 percent.

Meanwhile, lawmakers still must agree on a budget for fiscal 1999 as well as the specifics of related spending bills to fund government programs. None of the 13 appropriations bills had cleared Congress when the lawmakers recessed.

The House and Senate have passed budget resolutions calling for about \$1.7 trillion in federal spending in 1999, but the two versions differ in some provisions. For example, the House offers \$101 billion in tax cuts over five years, while the Senate allows \$30 billion.

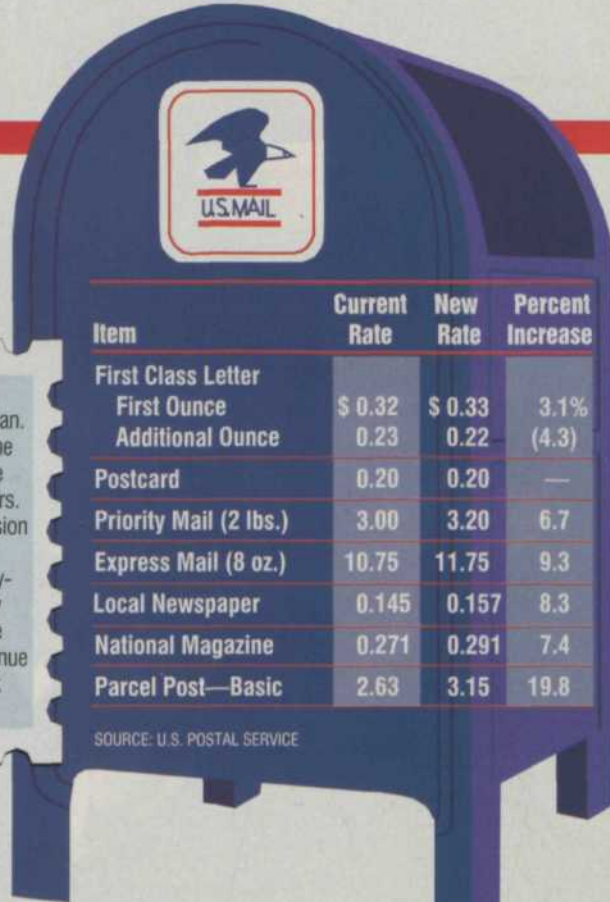
With their eye on the budget surplus, lawmakers are expected to consider various tax-reduction proposals, including further reductions in capital-gains and estate taxes.

—James Worsham

POSTAL COSTS

New Postal Rates Effective On Jan. 10

The average increase in postal rates scheduled to take effect Jan. 10 will be 2.9 percent, which the U.S. Postal Service says will be the smallest increase in 27 years. The first across-the-board revision in rates in four years will be accompanied by a new delivery-confirmation service for Priority Mail and parcel post items. The Postal Service says it will continue to offer deep discounts for bulk mailers.



Item	Current Rate	New Rate	Percent Increase
First Class Letter			
First Ounce	\$ 0.32	\$ 0.33	3.1%
Additional Ounce	0.23	0.22	(4.3)
Postcard	0.20	0.20	—
Priority Mail (2 lbs.)	3.00	3.20	6.7
Express Mail (8 oz.)	10.75	11.75	9.3
Local Newspaper	0.145	0.157	8.3
National Magazine	0.271	0.291	7.4
Parcel Post—Basic	2.63	3.15	19.8

SOURCE: U.S. POSTAL SERVICE

STATISTICS

Key Measure Of Inflation Undergoing Change

The Consumer Price Index (CPI), the most widely used measure of inflation, will undergo a major adjustment early next year to reflect more accurately how consumers shift to lower-priced substitutes when prices rise.

The change will be the last in a series of modifications to the inflation measure that began several years ago to correct for what many critics said was its overstatement of inflation. Revisions from 1995 through January 1999 will have the overall effect of shaving 74 hundredths of a percentage point off the index, according to calculations from the U.S. Bureau of Labor Statistics and the Council of Economic Advisers.

The CPI is used by the government to set cost-of-living raises for government workers, federal retirees, and Social Security recipients. Many private businesses use it to adjust prices and determine the level of pay increases. And other costs, such as rent, often are tied to the CPI.

The latest change—for so-called substitution bias—will shave about two-tenths of a percentage point off the CPI. Substitution bias occurs when consumers, faced with a higher price for a product, shift to a lower-priced substitute—another brand, perhaps, or another store or supplier.

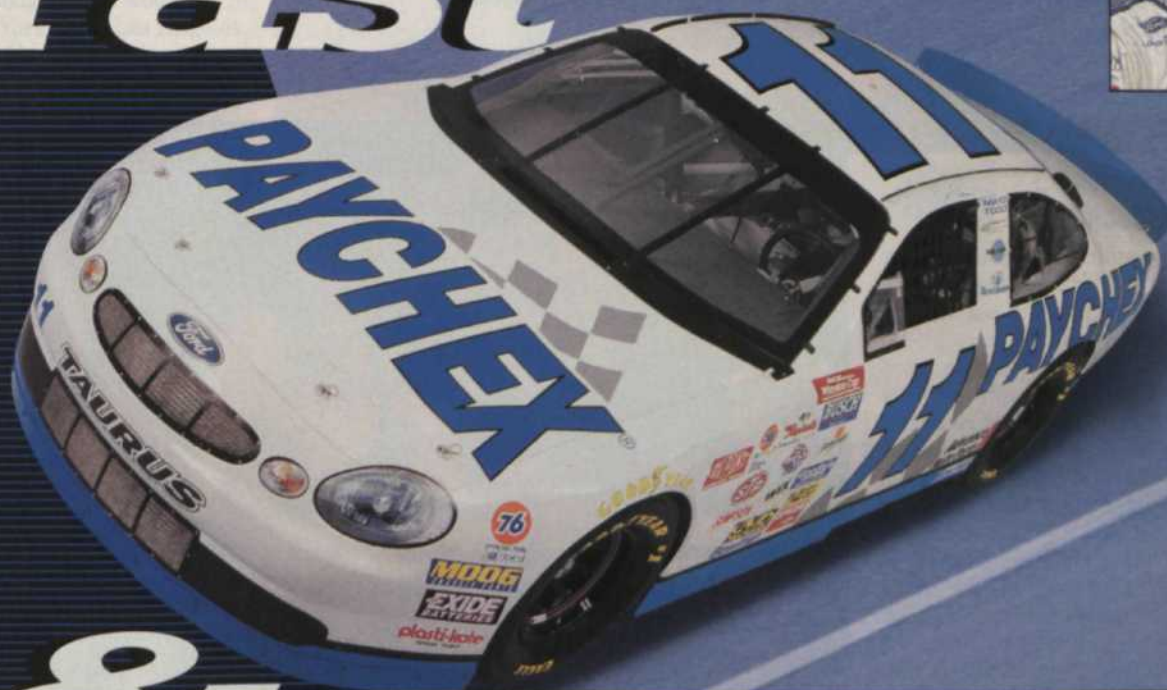
—James Worsham

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Need statistical or other information from a government agency but don't know how to find it? *Government On The Net*, a 711-page book and accompanying CD-ROM, contains the Internet addresses for more than 2,000 online government sites. Published by Nolo Press of Berkeley, Calif., (www.nolo.com), the book and CD (\$39.95) include federal and state agencies and courts as well as foreign governments. The CD provides direct links to the sites and to Internet search engines such as Yahoo and Alta Vista.

—David Warner

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Managing Your Small Business

What you see is what you buy; selling cars—and satisfaction; how to succeed by staying at home.

By Thomas Love

AUTOMATION

Pushing The Envelope With Vending Machines

If you think of vending machines simply as dispensers of soft drinks, snack foods, and items such as combs and painkillers, Kent Savage wants you to think again.

Savage is president of Cincinnati-based Vertex Technologies, Inc., and he sees vending machines as miniature retail stores for sales and distribution of everything from cameras and blue jeans to tools and manufacturing equipment. "The sky's the limit," he says.

Savage, who has been developing vending and distribution systems for more than 20 years, says his broadened view of the business dates to a visit to Japan 10 years ago. "In Japan, they sell everything out of machines," he says. "By everything, I mean compact discs, pearls and amethyst jewelry that costs \$300 or more, beer, wine, and cubed beef in refrigerated machines in front of convenience stores." The array of items, he says, is "almost endless."

Since that trip, Savage's company has been developing vending machines for both the industrial and retail markets. Businesses can benefit from vending machines because they distribute or sell items without sales workers having to be present.

In retailing, for example, Vertex designed a machine to vend Kodak single-use cameras at the 1996 Summer Olympic Games in Atlanta. It was one of the earliest uses of a machine in the United States to dispense items costing \$5 to \$20, he says. He developed technology that enabled the machines to return relatively large amounts of change—in this instance, Susan B. Anthony dollars.

For the industrial market, the firm designed machines that dispense tools and supplies used by various companies, operated with individualized ID cards. For example, at a remote railroad terminal, train crews can use a Vertex machine to stock up on items ranging from radio batteries and work gloves to paper towels and suntan lotion.

And a Vertex machine at a nuclear-power plant in Texas offers mechanics an assortment of goods—from cutting disks, wire brushes, safety glasses, and leak-detection fluid to three flavors of Gatorade.

Savage says vending machines can



PHOTO: GJM CALLAWAY

Vending-machine maker Kent Savage says selling products his way can benefit a small firm hard-pressed to find—or afford—sales clerks.

help a small manufacturer, for example, keep industrial supplies accessible to workers during off-hours when the firm cannot afford to staff the storeroom. Or a retailer, he says, could place such machines outside the store to offer 24-hour sales of some of its merchandise. The machines can be designed to be "very theft-resistant," he explains, as well as weatherproof and heated or cooled.

And modern vending machines not only

can dispense items, he says, but also can accept returns. A company selling cartridges of printer toner, for instance, could credit the return of an empty unit against the purchase of a full one. The machines can monitor their inventories and reorder when supplies drop to a certain level.

Savage says his machines can free workers from mundane tasks, allowing them to devote their time to more important—and more profitable—activities. ■

ECONOMIC DEVELOPMENT

Rating The States For Small Firms

Do you wonder how your state rates as a place to operate a small business? Or have you thought about moving your business and wondered about the small-business climate in other states?

The Small Business Survival Foundation, using information such as personal and business tax rates, health-insurance and utility costs, and crime statistics, ranked the 50 states and the District of Columbia according to how hospitable they are for small businesses.

The foundation is the research and edu-

cational arm of the Washington, D.C.-based Small Business Survival Committee, a nonprofit, nonpartisan small-business organization.

According to the foundation's third annual survey, South Dakota is the most hospitable state, followed by Wyoming, Nevada, New Hampshire, and Washington.

"Our Small Business Survival Index serves as a comprehensive measure of government-imposed and related costs that impact small businesses and entrepreneurs," says Raymond J. Keating, the survey's author and the organization's chief economist. ■

MARKETING

A Rural Car Dealer With Big-City Bite

One might expect that the nation's top seller of an expensive sports car such as the Dodge Viper would be in New York City, Los Angeles, or some other large—and rich—metropolitan area.

However, Dan Fitzgerald, owner of Fitzgerald Motorsports, has achieved this distinction in Laconia, N.H., a rural town with a population of about 16,000. Fitzgerald has sold more than 500 new and used Vipers since the car was introduced in 1993. Last year he sold 64 of the 1,458 new Vipers sold in the United States, more than any other dealer, according to Chrysler Corp. spokesman David Elshoff.

How does Fitzgerald sell so many of the sports cars—which cost \$70,000 or more—from a small town? “Marketing and experience in dealing with the type of buyer of the product I sell,” he says, adding that he has been in the business for about 40 years.

He credits his toll-free telephone num-



PHOTO: GILAN JAKUBIK

Upscale-cars dealer Dan Fitzgerald didn't let his rural location, in Laconia, N.H., keep him from becoming a nationwide sales leader.

ber—1-800-VIPER15 (1-800-847-3715)—his extensive advertising in major publications, and his World Wide Web site, www.fitzmotorsports.com, for getting his dealership known far and wide. He says he spends about \$10,000 a month in advertising around the world.

“One of the reasons people buy from us is the guarantee we give them,” Fitzgerald says. “If we ship them a car and they don't accept it when it arrives, we take it back and give them their money back. We've never had anybody ship a car back.”

Fitzgerald says his customers come from all over the United States—“we sell as many in North Carolina as we do in Massachusetts”—as well as from Europe.

Fitzgerald is optimistic that he can stay at the top of the Viper sales charts. “As long as the market holds up, there is no reason we can't continue to sell as many Vipers as we have been,” he says. “The economy just seems to help people buy toys.”

Vipers aren't the only “toys” that Fitzgerald sells. His Web site offers a selection of other upscale cars, including the Audi A6, the BMW 325i convertible, the Jaguar XJS convertible, the Mitsubishi 3000 GT, the Plymouth Prowler, and the Toyota Supra Twin Turbo.

ENTREPRENEURSHIP

What Leads To Success In A Home-Based Business?

Authors Sunny and Kim Baker, in doing research for their book, *Peterson's Ultimate Home Office Survival Guide* (Peterson's, \$18.95), interviewed hundreds of home-based entrepreneurs and telecommuters to determine what they have in common as a group and how they have fared.

Among the findings:

■ The ideas for successful businesses ranged from ordinary to weird and mundane to extraordinary, but the business idea seemed to be less important than the entrepreneur's desire to succeed.

■ Age, sex, and ethnic background were not relevant in forecasting the success of the ventures.

■ Education also was not a predictable factor of success.

■ Motivation and productivity levels of telecommuters often surpass the performance of their peers who work in an office.

■ Many of the home-based entrepreneurs were unemployed when they started their businesses.

■ Most of the entrepreneurs started with less than \$5,000 in the bank, and some had no savings.

The Bakers' book covers topics as varied

as developing plans and setting up operations and work zones, managing time to increase productivity, selecting furniture, making sales, and handling promotion and legal issues.

The book comes with a CD-ROM containing information for the home-office worker, including printable forms, lists of

home-based-business opportunities, a sample business plan, links to related World Wide Web sites, and Internet browser software.

The guide is available in bookstores. It also can be purchased by calling Peterson's at 1-800-338-3282 or visiting the publisher's Web site, www.petersons.com.

NB TIPS

Trade-Show Giveaways

Is it worthwhile to have giveaways or premiums at your trade-show booth?

It is, according to Allen Konopacki, president of the Incomm Research Center, a Chicago-based organization that conducts trade-show training for companies nationwide.

A survey this year of attendees of several business- and industrial-oriented trade shows found that 52 percent are likely to stop at an exhibit with giveaways, 20 percent are likely to remember the booths that have giveaways, and 25 percent believe that giveaways are nice but not necessary.

Only 3 percent said exhibitors should not use giveaways.

Additional information on how to shine at a trade show is available on the Incomm Research Center's Internet site, www.tradeshowresearch.com.

Your Firm Could Win \$5,000

Mail Boxes Etc. is searching nationwide for a small-business owner with 20 or fewer employees to be featured on the company's television commercial that is scheduled to appear during the Super Bowl game on Jan. 31.

The featured business owner will receive \$5,000, and two runners-up will receive \$2,000 each.

Entrants must answer the following questions, each in 25 words or fewer:

“How does your business demonstrate the entrepreneurial spirit of small business in America?”

“What would you say about your business to 130 million Super Bowl viewers?”

Forms for entering the promotion can be obtained at participating Mail Boxes Etc. centers or through the company's Internet site at www.mbe.com. The search will end Oct. 15.

COVER STORY

The EPA's New Reach

By David Warner and James Worsham



PHOTO: SHWABENA SHABU, CITY OF DETROIT COMMUNICATIONS & CREATIVE SERVICES DEPARTMENT

The mayor of Detroit, Dennis Archer, is concerned that efforts to convert blighted industrial acreage into productive sites like the plant at right could be stalled by the federal government's environmental-justice policy. With Archer on a 1994 tour of a onetime factory site—since cleaned up for redevelopment—were Phyllis James, Detroit's corporation counsel, center, and Marge Byington, then director of economic development.

Detroit Mayor Dennis Archer's drive to revitalize his aging industrial city, like similar efforts across the country, has run into a potential new roadblock: the U.S. Environmental Protection Agency.

Detroit bears the physical scars of decades of urban decay and unrest: high unemployment, widespread poverty, the loss or threatened loss of countless businesses, and a shrinking auto industry—from 16 automakers to three since 1960.

In 1994, with support from residents and businesses, Archer won a 10-year federal "empowerment zone" designation for an 18.35-square-mile area near the Detroit River marked by run-down housing, abandoned plants, and high unemploy-

Debate is raging over whether a policy that could block permits for industrial plants in minority areas would hurt rather than help the people it is supposed to protect.



But Archer's plans may be derailed by a Clinton administration policy that could keep some new businesses out of Detroit and possibly slow the creation of jobs that bring paychecks and benefits to the city's residents. Moreover, the policy is affecting other areas of the country and could extend even further.

At issue now is the conflict among the environmental-justice policy, rooted in the 1964 Civil Rights Act, which bars discrimination against individuals based on race, color, or national origin, and economic-development programs aimed at providing jobs to minorities and the poor.

The civil-rights law's Title VI, which prohibits discrimination in federal agencies' programs, has been expanded by some federal courts and agencies to bar not only intentional discrimination but also programs and policies that have a "discriminatory effect" or a "disparate impact" on those protected by the statute. (See "How The Policy Was Developed," Page 14.)

In 1994, President Clinton required that all federal agencies apply the provision to

the poor do not bear a "disproportionate" share of environmental risks.

More than 50 complaints from around the country alleging such discrimination have been filed with the EPA. To deal with them, the agency issued an "interim guidance" directive in February. It details how the agency's civil-rights and regional offices should determine whether an environmental permit for an existing or proposed industrial plant, or a plant expansion, in a predominantly minority neighborhood has had or would have a discriminatory or disparate impact on residents.

But the guidance, which the EPA says is not in final form, has stirred opposition among local and state officials, business groups, and citizens organizations concerned about economic development. Proponents and opponents are poised for battle in support of or against the EPA—in the federal courts and in the political arena. Congress has moved to contain the environmental-justice effort, but the effectiveness of its actions isn't clear.

The guidelines "set off alarm bells within our business communities," says Detroit's Archer. If they take effect as written, he adds, they "will have a substantial chilling effect on business's motivation to invest not only in Detroit but in other cities."

The Origin Of The Policy

Environmental justice grew out of a concept called "environmental racism," which holds that, over the years, a disproportionate number of areas populated by the poor and minorities have been chosen as locations for industrial plants and waste sites.

"The environmental-justice movement has put back into the agenda the whole issue of environmental assessment and impact and equal protection," says Robert Bullard, director of the Environmental Justice Resource Center at Clark Atlanta University in Atlanta and a leading proponent of the concept. "People are saying they should not have to trade their health for jobs."

Richard Lazarus, a law professor at Georgetown University Law Center in



PHOTO: ©SANTA FABIO—BLACK STAR

ment. The designation provides tax breaks to companies locating in the area. Since the zone was established, businesses have committed \$2 billion to build in it and \$7 billion citywide.

"We're in the process of going through some major economic development in the city," Archer told *Nation's Business* in a recent interview. "We are in the process of building a brand new downtown."

the programs and policies of federally funded entities that affect human health and the environment, including state agencies. Now, the EPA is seeking to place new substantive requirements on state agencies that issue environmental permits for industrial plants and waste-disposal operations to ensure that minorities and

COVER STORY

Washington, D.C., notes the policy's roots in the 1964 civil-rights law: "Title VI has been on the books 34 years. It's about time someone started moving the process."

To Carol Browner, administrator of the EPA, the policy is new legal turf. "It's really sort of a new application of the Civil Rights Act," she said in a recent interview with *Nation's Business*. (See excerpts in "Wrestling With A Complex Issue," Page 16.) Over time, she added, it may take court cases to sort out how the law applies to environmental disputes.

This untrod legal ground has opponents worried that environmental justice will open a new legal avenue that the EPA could use to disapprove emission, discharge, and waste permits.

For starters, they say, the policy collides with the concept of enterprise or empowerment zones, which are designed to attract business development to blighted areas. And critics say the policy interferes with the EPA's own program to clean up "brownfields"—abandoned industrial or waste sites. The program is designed to clean sites so they can be used for productive purposes such as job-producing industries.



PHOTO: T. MICHAEL KEZA

In Chester, Pa., Zulene Mayfield, head of Chester Residents Concerned For Quality Living, says the city doesn't need any more "polluting" industries.

"If businesses can't go into areas that need economic development and jobs the most, they'll be left with no choice but to move their operations to other areas, possibly overseas," says Thomas J. Donohue, president and CEO of the U.S. Chamber of Commerce. The EPA policy, he says, is "economic, social, and environmental insanity."

Harry Alford, president and CEO of the Washington-based National Black Chamber of Commerce, agrees: "At stake is our place in the global economy. Do we put these plants here or put them in places like Mexico or Brazil?"

It is the economic impact on the minority community that critics cite most often. "The effect on the minority community that this whole policy is intended to help could be devastating," says Stephen

How The Policy Was Developed

The Clinton administration's policy on environmental justice and the U.S. Environmental Protection Agency's subsequent "interim guidance" directive for implementing that policy trace their roots to the Civil Rights Act of 1964. Here's a chronology of the development of environmental-justice policy.

July 1964

President Johnson signs the Civil Rights Act of 1964. This historic statute accorded minorities equal protection under law and prohibited intentional discrimination against individuals based on their race, color, or national origin.

Title VI of the act states: "No person in the United States shall, on the ground of race, color, or national origin, be excluded from participation in, be denied the benefits of, or be subjected to discrimination under any program or activity receiving federal financial assistance."



PHOTO: GAP PHOTO—WIDE WORLD

President Lyndon Johnson signs the 1964 Civil Rights Act as Senate leaders Everett M. Dirksen, R-Ill., and Hubert H. Humphrey, D-Minn., look on.

July 1973

The EPA issues a regulation to implement Title VI in federal environmental programs as a result of a requirement for all U.S. agencies to implement Title VI in the programs under their jurisdiction.

January 1984

The EPA's regulation is amended to prohibit recipients of EPA assistance from carrying out any policy or program that has the effect of discriminating against individuals covered by the 1964 Civil Rights Act. Recipients of EPA aid were usually state agencies receiving federal funds to implement environmental-protection programs.

February 1994

The 1964 Civil Rights Act and Title VI are invoked by President Clinton when he issues an executive order directing all federal agencies to incorporate as part of their mission the goal of achieving

environmental justice by ensuring that federally funded policies and programs do not subject minority and low-income

communities to "disproportionately high and adverse human health or environmental effects."

February 1998

To implement the president's executive order, the EPA gives its Office of Civil Rights what is called Interim Guidance



PHOTO: LAURENCE L. LEVIN

President Clinton, citing the 1964 Civil Rights Act, issued an executive order in 1994 establishing the environmental-justice policy.

For Investigating Title VI Administrative Complaints Challenging Permits. The guidelines lay out the steps the EPA's civil-rights and regional offices must take to investigate a complaint that alleges a Title VI violation by a recipient of EPA funds.

August 1998

The U.S. Supreme Court orders the U.S. Court of Appeals for the 3rd Circuit in Philadelphia to reinstate a ruling by the U.S. District Court for the Eastern District of Pennsylvania. The ruling stated that private citizens have no right to sue over violations of Title VI of the 1964 Civil Rights

Act; however, the ruling applies only in the District Court's jurisdiction.

Huebner, a fellow in environmental policy at the Center for the Study of American Business at Washington University in St. Louis.

However, some observers say the policy could have even greater implications for society and the economy. That's the view of Christopher Foreman, a senior fellow at the centrist Brookings Institution in Washington and author of a new book, *The Promise and Peril of Environmental Justice* (Brookings, \$22.95). "This is a long-term political fight over the future course of environmental policy," Foreman says. Moreover, he adds, "environmental justice is a social-justice movement that is using environmental themes as a way to do politics."

"Don't Build It Here"

Although environmental justice did not receive much attention at the EPA until President Clinton and Vice President Gore took office in 1993—after making it a major issue in their campaign—concerns about it have been raised since the 1950s.

People leaving urban, industrialized areas for the suburbs didn't want industrial plants to follow. In addition, they wanted existing factories and dumps cleaned up. This movement led to the creation of the EPA in 1970, the Clean Air Act of 1970, the Clean Water Act of 1972, and a not-in-my-back-yard mindset as the public became more aware of the environmental hazards in everyday life.

The battle cry of "don't build it here" took on racial tones in 1979 when a black community group in Houston sued to stop a landfill from being established in its neighborhood. The group said that most of the city's incinerators and landfills were in minority areas.

Another notable incident took place in 1982 in mostly minority Warren County, N.C., where more than 500 people were arrested for protesting a proposed landfill to hold dirt contaminated by polychlorinated biphenyls, or PCBs, a compound that has been linked to cancer. The landfill was built.

Over the next few years, several studies indicated that minorities were more likely than whites to live in communities with hazardous-waste sites. A U.S. General Accounting Office report in 1983, for example, found that three of the four biggest hazardous-waste sites in the Southeast were in majority-black communities.

The issue got little attention at the federal level until the EPA established the

Environmental Equity Work Group in 1989 and the Office of Environmental Equity in 1992, during the Bush administration, to monitor the public's environmental concerns. A year later, the Clinton administration set up the Office of Environmental Justice and created the National Environmental Justice Advisory Council, and the first environmental-justice complaints

Reynolds Metals Co. and Ford Motor Co. plants and to the Sun Shipbuilding company. Other industries still line the waterfront, including the Kimberly-Clark paper company and several waste-treatment plants. But much of the city—and especially the industrial area near the river—needs revitalizing, say Chester's government and civic leaders.

To foster economic development throughout the state, Pennsylvania Gov. Tom Ridge has proposed designating economically distressed areas in the state—Chester is a likely candidate—"Keystone Opportunity Zones." State and local taxes would be eliminated or reduced for 12 years for residents and businesses in the zones.

But some Chester residents, particularly those who live near the historically industrial areas, are opposed to putting more industrial plants in the city. One of those residents is Zulene Mayfield, head of Chester Residents Concerned For Quality Living. "If [a plant] would add to pollution here, we would oppose it," says Mayfield.

Her group, which opposed the Thermal Pure permit in 1993, initiated a federal lawsuit in 1995 against the Pennsylvania Department of Environmental Protection for issuing an environmental permit to Soil Remediation Services, another waste-treatment company that wanted to put a plant near the Chester waterfront. As it did in the Thermal Pure case, Mayfield's group said that the plant would add to the pollution in the largely minority community.

But the group also argued that the state environmental agency's decision to issue a permit to Soil Remediation Services was a violation of Title VI of the 1964 civil-

rights law because it had the effect of causing discrimination. As evidence of discrimination, Mayfield's group noted that since 1987 the state environmental agency had issued five permits for waste-treatment plants in Chester but only two for plants in the nonminority suburbs of Delaware County.

"It is environmental racism," says Mayfield, who lives in the shadow of one of the waste plants. "I can say that facilities have come to Chester because it's black."

Some business people, such as Jimmie Bowman, who owns J. Bowman Supply, Bowman Construction, and Hess Concrete in Chester, say the industrial plants are crucial to business. Bowman, whose companies have a total of 20 employees, says he relies on the large companies that oper-



PHOTO: T. MICHAEL KEZA

Industrial plants increase business for other companies, says Jimmie Bowman, owner of construction firms in Chester, Pa.

were filed with the agency.

That year, a minority citizens group in Chester, Pa., tried to block—through an appeal to the state Environmental Hearing Board—a permit for Thermal Pure, a waste-treatment company that wanted to build a plant in the city. "The concentration of waste-management facilities in the city of Chester," the citizens group claimed, "places a disproportionate risk of environmental harm on its residents." Issuing the permit, the groups said, would constitute "environmental racism."

The Debate In Chester

Like Detroit, Chester—which is on the Delaware River about halfway between Philadelphia and Wilmington, Del.—is an old industrial city. It used to be home to

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PHOTO: T. MICHAEL KEZA

ate in Chester's industrial area for 30 to 40 percent of his business.

"If [the industries] were not here, it would put a big damper on my business," says Bowman, who has operated his com-

panies for 30 years. "We need them here; we need more businesses."

For Dan Banta, whose B&S Sandwich Shop and Mini Market on West Second Street gets about 80 percent of its sales

The area's economy will be improved if a proposed chemical plant is built in Convent, La., says Leroy Raphael, owner of a building-materials firm in nearby Vacherie.

from the truckers who drive into and out of the industrial plants, the plants are vital. "We probably wouldn't be here if those plants weren't here," he says.

Mayfield's group is sticking with its argument that putting industrial facilities in the city constitutes environmental racism, but it won't be able to advance its case through the federal courts. In August, the U.S. Supreme Court dismissed the group's suit, directing the U.S. Court of Appeals for the 3rd Circuit, based in Philadelphia, to reinstate a federal District Court's ruling that private citizens do not have a right under Title VI to sue agencies that receive federal funds.

"If the Supreme Court had sided with the Chester citizens group," says Robin Conrad, senior vice president of the National Chamber Litigation Center, "businesses that needed environmental permits

Wrestling With A Complex Issue

Carol Browner, administrator of the U.S. Environmental Protection Agency, says the EPA is still in the early stages of dealing with the complex issue of environmental justice.

The issue poses the question of whether minorities have been discriminated against—intentionally or not—in the approval of sites and granting of permits for industrial plants by federal and state authorities.

Though the issue has been around for nearly two decades, the Clinton administration has given it a major push. Federal guidelines on the subject, though controversial, aren't final, however. And the agency has yet to issue a finding of discrimination in response to a complaint.

The first test case involves a challenge before the EPA from groups opposed to Louisiana's decision to let the Shintech Corp. build a chemical-manufacturing plant in a predominantly minority region between New Orleans and Baton Rouge.

Here are excerpts from a *Nation's Business* interview with Browner. Topics covered include the "interim guidance" directive issued by the EPA in February to deal with the environmental-justice aspects of applications for pollution permits.

NB: Can the goals of environmental justice be met without sacrificing the

benefits of economic development?

Browner: Yes. We've been able to achieve significant environmental public-health benefits at the same time we've obviously seen the economy do better than at any other time.

We've been able to work in communities and achieve a level of cleanup and redevelopment as we get another testament to our strong belief that you can, in fact, have both a healthy economy and a healthy environment, and one does not come at the expense of the other.

Is your environmental-justice policy on a collision course with economic-development efforts to create jobs?

No. Individuals are raising claims under the Civil Rights Act of 1964 alleging that certain environmental impacts are occurring in a disproportionate or disparate manner.

We felt it was extremely important to say

to all concerned, "Here are our best thoughts on how we will manage these petitions and the process we will use." They are not our final thoughts; they are our initial thoughts. We will take public comment. We will do extensive stakeholder outreach to determine whether or not the process we propose is the process that should be used over the long term.

What is your timetable on environmental justice?

We created an advisory panel under the Federal Advisory Committee Act, and that group has been meeting and anticipates that it will be able to make a set of recommendations to us by the end of the year.

How can the guidelines deal with the issue of an aggregation of polluting sites that is so concentrated that you can't put any more there?

It's a difficult question in this area, and it is in many ways a question of first impression.

In fact, in the Shintech case—because cumulative impacts [of several pollution



PHOTO: T. MICHAEL KEZA

Carol Browner, head of the Environmental Protection Agency, defends the policy.

Opponents of a plan to build a chemical plant in a low-income region of Louisiana meet at the proposed site. From left: Mary L. Green and Lillie Mae Davis, members of the board of St. James Citizens for Jobs and the Environment, and Patricia Melancon, president.

probably wouldn't have located in minority neighborhoods and therefore wouldn't bring jobs to and add to the tax base of those areas." The litigation center is an affiliate of the U.S. Chamber of Commerce, which filed a brief with the Supreme Court on behalf of the Pennsylvania Department of Environmental Protection.

Mayfield says that she's uncertain about her group's next move but that filing an administrative complaint with the EPA is an option.

The Battle Near New Orleans

The first test case of the EPA's environmental-justice policy, already before agency administrator Browner, comes from the industrial corridor of Louisiana that lies along the banks of the Mississippi River



PHOTO: T. MICHAEL KEZA

between New Orleans and Baton Rouge.

It is there, amid waving fields of sugar cane that separate oil refineries, chemical plants, and other heavy industry, that Shintech Corp. wants to build a \$700 mil-

lion chemical plant. The plant would manufacture polyvinyl chloride resin, which is used to make a variety of plastic products.

The Shintech plant would be built on

sources] is a relatively new question—we've actually gone out for peer review [scientific study] because it goes beyond what traditional environmental models have been used for.

Traditionally, environmental models have looked at chemical-specific or pollutant-specific cases, and the question is how do you adjust those models to look at the cumulative impact.

Could environmental-justice concerns bring a halt to efforts in the EPA's own "brownfields" program to clean up abandoned industrial sites for new economic development?

First of all, none of the 57 environmental-justice petitions that have been filed with us has been about brownfields participation.

Second, I think it's highly unlikely [that brownfields development would be stopped] because brownfields is so much based on the needs of the local community, engaging the local community in terms of what's right for them. And why would an administration that has made such tremendous strides and commitments to the cleanup and redevelopment of brownfields turn around and even consider a policy that might impact that? It simply doesn't make sense. We wouldn't do that.

Does your environmental-justice pol-

icy set the EPA up as some kind of national zoning board?

Rest assured that is not the case. Cities make decisions that we respect all the time—and appropriately so—about zoning and siting. In some instances, the states become involved. We have no interest in becoming involved in those decisions. That's their business.

Some studies indicate that minorities are not necessarily more likely to live near polluted sites than whites. We understand that the EPA has some studies that indicate this. What do the studies show, and do you plan to release them?

The study you're asking about actually is not about facilities that have permits; it's about Superfund [toxic-waste cleanup] sites, and it was never completed. In certain parts of the country, you did have a greater likelihood for a site to be in a minority community, but that was not necessarily true in all parts of the country.

Could a company lose a permit that is up for renewal under this new policy?

We're going to do everything in our power to make sure that doesn't happen. We have no control over petitions that get filed, but I think we can avoid that.

When you look at these environmental-justice petitions, do you take into account things like the impact on the local economy?

In our interim guidance, we said that one of the mitigating factors we would consider would be job creation. One of the things civil-rights groups and environmental-justice groups had wanted us to include was an analysis of the cumulative impact of lost property values. We didn't include that.

Looking long-range, how is environmental justice going to change the way the EPA regulates?

It's public participation. It's engaging the people in a community on the front end, working with them, helping them to understand the choices. A greater emphasis on early public access, early public participation, will go an awful long way toward preventing and avoiding these problems.

Hasn't there always been public involvement in these matters?

Yes and no. It varies dramatically across the country. You certainly have some state agencies that have taken very seriously public participation and created sort of model opportunities for it. You have other state agencies that have not gone as far.

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3,400 acres in St. James Parish, which has a population of about 21,000. (Parishes are the state's equivalent of counties.) The plant would be in the predominantly minority and low-income western part of the parish. Shintech had received approvals from state environmental regulators.

Clark Atlanta University's Bullard says the proposed plant is the environmental-justice movement's equivalent of *Brown vs. Board of Education*, the landmark school-

Daniel Louque Sr., owner of Quality Machine Works, Inc., in the parish, says he has been visited several times by Shintech officials. His company services large industrial machinery, the kind used by Shintech and the other heavy industries in the parish.

Louque, who employs 42 people, says he might hire seven or eight more if the plant is built, depending on how much work the plant would generate. "The impact would be great on my business," he says.



PHOTO: T. MICHAEL KEZA

Expecting increased business if a chemical plant is built near his Louisiana machine shop is owner Daniel Louque Sr., left, shown with employees Jayson Cryer, center, and Mitch Martin.

desegregation case decided by the Supreme Court in 1954. "If the laws on the books are not enforced in this case because of the glaring disparities," says Bullard, "we can forget it."

Richard Mason, Shintech's controller, says the plant would have 165 permanent employees and 90 contract employees. During the 18-month construction period, he says, there would be up to 2,000 jobs.

Shintech, he adds, hopes to hire nearly all of the plant's work force from the area, although not necessarily from the immediate neighborhood of the plant. Mason says he "would be surprised if a dozen" employees were brought in from other Shintech plants. As part of its effort to win support for the plant, Shintech has pledged \$500,000 to train local residents for jobs there. The company has won the support of the parish's economic-development agency.

Like many area business people, Randy Poche, president of the St. James Business Association and president of Superior Office Products Inc. in the parish, says the plant would add jobs and boost the local economy. He says he likely would hire one or two more people.

Support For The Proposal

Not all small-business people in the area believe the plant would have a big impact on their firms, however. Leroy Raphael, owner of Quality Building Materials—which sells lumber and other products for home building and repair—says he doesn't think the Shintech plant would help his business directly. But he supports the plant because "it would be an economic uplift for the community."

Rodney Johnson, owner of Ryan Industry Supply, which sells commercial and industrial electrical equipment, also supports the plant but says he's not counting on much, if any, business from Shintech. However, "it's going to generate more jobs in the economy, which will generate more spending and more homes," he says.

However, Raphael and others are skeptical that Shintech will provide many jobs for local residents, at least initially, because many residents may lack required skills.

Their skepticism is shared by Patricia Melancon, president of St. James Citizens for Jobs and the Environment, which filed the environmental-justice complaint with the EPA opposing the plant. She says that

the area around the proposed Shintech site has a 60 percent unemployment rate even though it's in a parish with 15 industrial operations—four of which are in Convent, the community closest to the site proposed for the Shintech plant. "It's not going to address the unemployment in this area," she says.

A study done at the University of New Orleans in 1996 forecast that the plant would generate nearly 6,000 jobs statewide, although Shintech has said there would be only 255 at the plant itself. Paul Templet, a professor of environmental studies at Louisiana State University, said that "maybe 15 percent" of the 255 jobs would go to local residents.

Melancon also cites potential dangers of emissions from the chemical plant, which she says would add to the pollution burden in Convent. Robert Kuehn, director of the Tulane Environmental Law Clinic at Tulane University in New Orleans, which is supporting opponents, adds that the St. James area "is already tremendously overburdened with pollution."

Getting Federal Attention

Other environmental-justice complaints are piling up at the EPA, even as Congress begins to focus on the issue.

Of the 57 complaints filed since 1993, the EPA's Browner says, two were dismissed, 29 were rejected, 15 are pending investigation by the agency, and 11 have not yet been given a disposition.

One of the pending complaints, filed by a citizens group in Corpus Christi, Texas, against the city and the Texas Natural Resources Conservation Commission, cites the air, water, and waste permits granted to 19 companies operating in the Gulf Coast port city known for its oil refineries.

In Robbins, Ill., just south of Chicago, the South Cook County Environmental Action Coalition filed a complaint last December in an effort to shut down operations at a \$385 million municipal waste-to-energy plant. The plant, which began operating in January, has 120 full-time permanent employees, 50 percent of whom are from the largely minority community of Robbins.

While state and local officials, citizens groups, environmental organizations, and the EPA debate the merits of the environmental-justice policy, members of Congress also have raised concerns about it.

A subcommittee of the House Commerce Committee held a hearing in August to obtain a "full accounting of the EPA's environmental-justice policy." Committee Chairman Thomas J. Bliley Jr., R-Va., requested a number of documents from the EPA, including studies that show minorities are not disproportionately exposed to pollution. At press time, the EPA had not

responded to Biley's request.

In response to the EPA's interim guidance, the House in late July approved an amendment to the agency's fiscal 1999 spending bill that would suspend the guidelines for any complaints filed after enactment of the spending bill. There has been no similar action in the Senate.

Meanwhile, the Environmental Council of the States, a Washington-based organization that represents state environmental officials, has told Congress that the EPA guidelines are vague in that they don't spell out what constitutes a "disparate impact," how such an impact is to be measured, and what might justify or mitigate such an impact.

A Fusion Of Movements?

Even as the EPA seeks to clarify its rules on environmental justice, one thing is clear: They could transform the way environmental law is practiced and enforced. This, in turn, has opened a new kind of political, social, and legal debate.

Even Browner says she isn't sure where it's all going. "I heard someone say the other day, 'It's as if you took two of the greatest social movements of our lifetimes, the civil-rights movement and the environmental movement, and you put them together.' It's a new area," she says.

Some see environmental justice as a logical extension of the civil-rights movement. And Bullard of Clark Atlanta University argues that there's more to providing equal protection than just preventing the construction of plants that pollute. "It's not just about stopping the bad," he says. "It's about getting a fair share of the good."

For example, in Louisiana, opponents of the Shintech plant aren't against every type of industrial development. Melancon, leader of the opposition group, says it would be good if the area could get some "clean" industries, such as factories with assembly lines—something to diversify the pollution-laden industry in the New Orleans-Baton Rouge corridor. "But a lot of these industries don't want to come in here anymore," she says.

Georgetown University's Lazarus, who serves on an EPA environmental-justice task force, says critics overstate the danger to economic development posed by the new policy. Under the interim guidance, he notes, a company wanting a permit can offer to offset the impact of additional pollution with benefits to the local community, such as jobs.

Moreover, he says, the EPA has the power to conclude in specific cases that despite evidence of disproportionate health risks for minority or poor neighborhoods, it is better on balance for a plant to be approved. "There's no absolute prohibition, but very heightened scrutiny."

Nonetheless, the environmental-justice policy and interim guidance might have had an impact already. "It's made siting more difficult" because companies are leery of placing plants in minority or poor areas, says Vicki Been, a professor of law at New York University. "It's had a pretty significant effect that way."



PHOTO: T. MICHAEL REZA

The Clinton administration's environmental-justice policy "is preserving the economic blight of urban communities."

—Harry C. Alford,
President and CEO,
National Black Chamber of
Commerce, Washington, D.C.

Opponents' Concerns

Critics fear that the EPA will use the policy to stop, in the name of public health, redevelopment of inner cities by companies that would create jobs for the poor and unemployed, black and white.

"This is preserving the economic blight of urban communities," says the National Black Chamber's Alford.

Notes William Kovacs, vice president/environment and regulatory affairs for the U.S. Chamber: "The agency's policy will prohibit new businesses from locating in urban areas and will deny existing urban businesses the right to expand operations unless those businesses address past social and economic harm suffered by the community which they had no role in creating."

Jonathan Adler, director of environmental studies at the Competitive Enterprise

Institute in Washington, agrees, adding: "Companies would be crazy to submit to the types of obstruction and hassles that this creates for them."

Roger Clegg, general counsel for the Center for Equal Opportunity, a Washington-based public-policy organization, says there is little evidence that residents' health is affected significantly by their proximity to industrial plants.

Some of the environmental-justice challenges to plants have cited increased health risks to residents near the plants attributable to pollution, as in the Louisiana case. But opponents have questioned these claims, sometimes citing factors other than pollution—such as poverty and poor public-health services—for increased levels of illness or death.

Clegg, a former U.S. deputy assistant attorney general, says that many studies show that the most significant determinant of health is wealth. "It's very dubious that this [environmental-justice] approach will actually help minorities," he adds.

Huebner and Been also note studies that show that, in some cases, the neighborhoods around plants or waste sites were not minority areas when the facilities were opened but became so later. "Recent evidence indicates that minority and poor populations tend to locate near industrial facilities after the facilities are sited, possibly due to lower property values," Huebner wrote in a report earlier this year.

If the arguments behind environmental justice are applied to activities of the federal government other than environmental protection, they could have even broader implications, critics say.

"If the basic idea is that any time federal money is used, it has to have an effect that is equal on every racial, ethnic, and gender group in the country, it becomes unworkable," says Clegg, suggesting "enormously broad implications."

Foreman of Brookings says that if the environmental-justice activists win their current battles, "there's no reason to believe it would stop there." They might seek to apply their claims of "disparate impact" to other public-policy areas beyond environmental issues, he says.

That would be just fine with people such as Bullard, who says that environmental justice is needed throughout society—"where we live, where we work, where we play, go to school—all of it."

Whatever the outcome of the debate, the potential impact is great, says New York University's Been: "It could be quite revolutionary."

■



To order a reprint of
this story, see Page 65.
For a fax copy, see Page 5.

Small Business Financial Adviser

Deciding whether a mutual fund is too big; increasing low-wage workers' pay; taking the bugs out of buying a firm; knowing when it's time to sell stocks.

When Bigger Isn't Necessarily Better

By Randy Myers

It's a fact of life: We usually equate bigger with better. Bigger cars. Bigger houses. Bigger paychecks.

That's not necessarily true, though, when you're choosing mutual funds for your company's 401(k) retirement plan. For lots of reasons, big funds sometimes have trouble keeping pace with their smaller peers or even with the performance standards they set for themselves when they were managing lesser amounts of money.

Fund analysts have made this argument for years. They say that the more cash a fund takes in from investors, the harder it becomes for the fund's manager to find a sufficient number of good stocks.

That argument is logical when one considers how most mutual funds operate. To ensure that funds remain prudently diversified, their managers usually avoid owning more than a few percent of the shares of any one company or owning so much stock in one company that it represents more than 5 percent of the fund's total assets.

When more and more cash pours into a fund, the manager is forced to buy bigger and bigger stocks to satisfy the fund's diversification requirements. Before long, the universe of stocks from which it can choose dwindles dramatically.

John Bogle, founder and chairman of the Vanguard Group of mutual funds, quantified this phenomenon last year in a speech before The Contrary Opinion Forum, an investment conference sponsored annually by Fraser Management, a money-management firm in Burlington, Vt.

At that time, Bogle calculated, a \$1 billion fund that limited its holdings of any one stock to 2 percent of the fund's total assets or 5 percent of that stock's total shares outstanding could have drawn from a universe of 2,644 different stocks.

But a \$5 billion fund with the same diversification criteria could have selected from just 994 stocks. And a similarly restricted \$10 billion fund would have had only 352 stocks from which to choose.

In addition to a dwindling universe of potential investments, funds face higher indirect trading costs when they start to buy ever bigger quantities of stock.

Sheldon Jacobs, editor of the *No-Load Fund Investor* newsletter, suggests that micro-cap funds (those that invest in the very smallest stocks) ideally should have assets of no more than \$200 million. He likes small-cap funds to have no more than \$750 million in assets, and mid-cap funds to have no more than \$4 billion.

Remember, though, that these are only

Contradictory Numbers?

Although a large asset size is widely perceived to be a handicap for mutual funds that invest in small-company stocks, it doesn't appear to have been a problem over the past five years. The figures below show total returns (price appreciation plus reinvestment of dividends) for small-stock growth funds and small-stock value funds tracked by Morningstar Inc.

Annualized Total Returns Through June 30

Fund Category	Assets In Fund	One Year	Three Years	Five Years
Small-Company Growth	\$2 Billion And Up	17.22%	20.70%	22.33%
Small-Company Growth	Under \$250 Million	15.22%	16.76%	13.72%
Small-Company Value	\$2 Billion And Up	18.05%	22.13%	19.34%
Small-Company Value	Under \$250 Million	17.92%	20.78%	16.19%

SOURCE: MORNINGSTAR PRINCIPAL PLUS, MORNINGSTAR INC.

Whereas a small fund might be able to acquire 1,000 shares of a particular stock at the market price, for example, a large fund might have to bid higher and higher to fill an order for 100,000 shares of the same company, just to entice a sufficient number of sellers into the market.

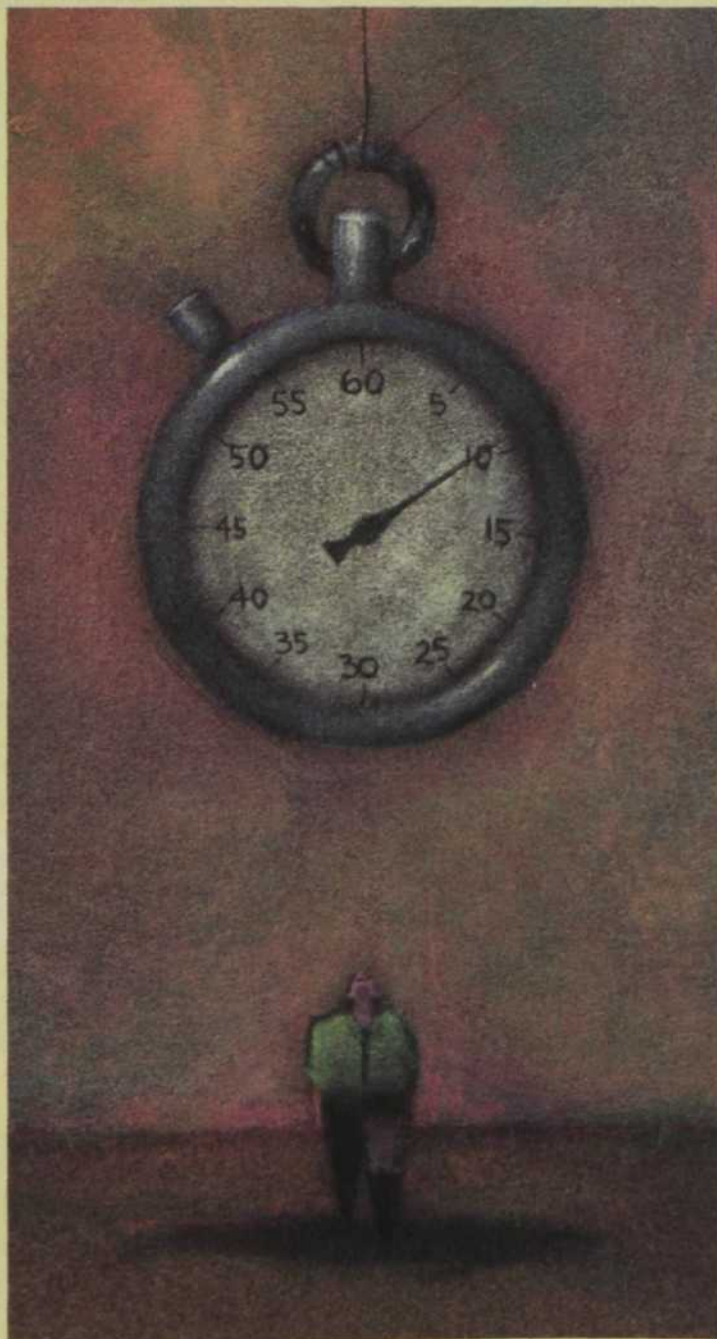
How damaging are these factors? In his Vermont speech, Bogle said his analysis of the 38 mutual funds with assets of \$10 billion or more at that time revealed that all had outperformed the Standard & Poor's 500-stock index in their formative years, but all except one had lost that performance edge after attaining "elephantine" size.

The implications of all this seem to be clear: All other factors being equal, you should offer the participants in your company's 401(k) plan smaller rather than larger mutual funds as investment options.

guidelines and that size may not be an impediment to performance in every investment climate. Over the past several years, for example, large-company stocks have outperformed small-company stocks dramatically. As a result, funds that got larger and were pushed into buying bigger stocks generally benefited.

Using Morningstar Principia Plus for Mutual Funds, a CD-ROM database produced by Chicago-based investment-research company Morningstar Inc., *Nation's Business* looked at the performance records of thousands of domestic stock funds in four investment categories for the three-year and five-year periods that ended June 30. In each category, the largest funds outperformed the smallest funds during each period.

John Rekenhaller, head of research for Morningstar, says that analyzing fund



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performance by current asset size is problematic not only because of the market's bias in favor of large-cap stocks in recent years but also because such analysis does not take into account how big a fund was at the start of the period being studied.

After all, high-return funds tend to be most successful at attracting new investors. As a result, the biggest funds are those whose managers have shown a strong ability to pick stocks.

But, Rekenhaller insists, "size still matters. It definitely changes the attributes of a fund."

The bottom line? When choosing investment options for your firm's 401(k) plan, look first at other key factors. For example, how high are its expenses? How assiduously has the manager stuck to his or her stated investment style?

Is the current manager the same one who compiled the performance record that attracted you to the fund in the first place? If not, what assurance do you have that the new manager can continue the winning ways of his or her predecessor?

When you do use fund size as a selection criterion for mutual funds, use it selectively. Size is most important when you're choosing funds that invest in small- and midsize-company stocks, either domestically or in emerging markets overseas.

**This is
the second
in a
three-part
series on
401(k)s.**

It's not as big an issue with large-company stock funds because the market for those securities is very liquid (i.e., there's almost always a supply of securities, along with buyers and sellers willing to trade them). Nor is size a problem for most index funds, which simply buy and hold the securities found in a particular stock index, such as the S&P 500.

"Another factor you have to look at is the size of the fund group," adds newsletter editor Jacobs. "If a fund is being run by a one-man or two-man shop, I'd stay to the low side in determining the maximum allowable fund size. If you're looking at Fidelity, Vanguard, T. Rowe Price, or one of the other big fund companies that have an army of analysts on staff, they can handle more assets."

In addition, you might overlook a fund's large size if its assets are divided among multiple external managers. That's a strategy that Vanguard has used successfully with a number of its funds, including its highly regarded Windsor II fund. That \$30 billion offering has outperformed the S&P 500 in four of the past six years.

At the end of the day, deciding whether a mutual fund is too big can be an uncertain exercise. But by understanding the issues and taking them into account where appropriate, you should be able to improve your chances of picking good funds for your company's 401(k) plan. ■

Randy Myers, formerly a writer and editor for Dow Jones & Co. Inc., is a financial writer in Dover, Pa.

Correction

Our September article on compensation for owners of S corporations contained an error. The owner of an S corporation who pays herself \$60,000 in salary and takes a \$20,000 distribution—as opposed to \$80,000 in salary alone—will save \$1,621.60 in FICA (Federal Insurance Contribution Act) taxes, not the \$3,060 we reported.

RETAILING

A Legal Battle Over Debit-Card Fees

Small retailers may become eligible to join a class-action antitrust lawsuit aimed at breaking what critics call the near-monopoly grip held by Visa International and MasterCard International on debit-card transactions. Some merchants complain that they are forced by Visa and MasterCard to accept those companies' debit cards even though their transaction fees are much higher than fees charged by many other firms that issue debit cards.

A U.S. District Court judge in Brooklyn, N.Y., is expected to rule this winter on whether small retailers can unite with the national retailers that filed the antitrust suit two years ago. Lloyd Constantine, lead counsel for the plaintiffs, says the discovery phase of the suit is nearing an end. He expects the case to go to trial late next year. "This is a cutting-edge case," says Constantine, a partner with Constantine and Associates in New York City. "It has a huge impact on consumers and virtually everyone who shops."

The plaintiffs, including Wal-Mart Stores, Inc.; Circuit City Stores, Inc.; Sears, Roebuck and Co.; and Safeway Inc., argue that Visa and MasterCard illegally force merchants who accept the two

companies' credit cards to accept their debit cards.

Paul Allen, an attorney for Visa, acknowledges that the company's "universal acceptance policy" requires merchants to accept all financial programs offered by Visa. But he rejects the argument that Visa has created a monopoly through "an illegal tying arrangement."

A spokesman for MasterCard says it is company policy not to comment on pending legal cases.

Unlike credit cards, debit cards subtract funds directly from a user's bank account. More than 45 million Americans carry debit cards, and Visa and MasterCard account for roughly two-thirds of debit-card transactions, says Constantine.

The giant credit-card companies' fees charged to merchants for debit-card transactions are the same as or nearly the same as the fees for credit-card purchases

even though the risks and costs associated with a credit card are much higher.

Visa charges merchants—except grocery stores—1.04 percent of the amount of a debit-card transaction plus 6 cents, says a company spokesman. Grocery stores are charged a flat 36 cents for a debit-card transaction. Visa charges 1.31 percent for a credit-card transaction.

MasterCard charges the same percentage for both debit- and credit-card charges. In most instances, retailers pay 1.38 percent for MasterCard transactions, says Constantine.

By contrast, competitors such as Honor, Interlink, Pulse, Star, Mac, and Nyce charge merchants 8 to 12 cents to process a debit-card transaction over their electronic networks, says Constantine.

A legal victory for the retailers could cost Visa and MasterCard billions of dollars in overcharges and damages for actions dating back to 1992, according to Constantine.

—Dennis Blank

The author is a writer in Orlando, Fla.



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COMPENSATION

Advance Payment Of The Earned-Income Tax Credit

A little-known method for increasing low-paid workers' take-home pay is to give the employees advance payments for their federal earned-income tax credit.

Wayne S. Goshkarian, president of AGB Insurance Services in Phoenix, says many employers don't realize that employees who are eligible for the earned-income credit may request that the money be added to their paychecks rather than wait for a lump-sum tax refund.

Goshkarian, whose firm helps employers with earned-income-credit forms and information, says, "Most employers are concerned about benefits and pay, and this is one way they can provide additional income to their employees ... who qualify."

In general, employees who earn less than \$26,473 this year and who support a

dependent child are eligible for the earned-income credit. The total amount of the advance paid to an employee in 1998 cannot exceed \$1,363, or \$26.21 a week.

Many employers don't know that they must notify low-income employees that they might be eligible for the earned-income credit. The notification requirement may be satisfied by giving employees the official IRS

W-2 form; on the back of Copy C of the form is a notice about advance payments for earned-income credit.

To request advance payment, employees must fill out IRS Form W-5, the Earned Income Credit

Advance Payment Certificate.

In general, employers make the advance payments from withheld income tax and

employee and employer Social Security and Medicare taxes. The advance payments actually reduce the amount of income and employment taxes owed by the company making the payments.

For employees, the amount of payments received in advance earned-income credit is not considered wages and is not subject to withholding taxes. Employers simply add the earned-income-credit payment to the employee's net pay for the pay period.

Directions for calculating how much earned-income-credit advance to add to employees' paychecks are included in IRS Publication 15, *Employer's Tax Guide*. For details on the earned-income credit, see IRS Publication 596, *Earned Income Credit*. Call the IRS at 1-800-829-1040 for copies. Or visit the agency's World Wide Web site—at www.irs.ustreas.gov—to download copies of the publications.

—Cynthia Scanlon



OWNERSHIP

Watch Out For The 'Millennium Bug'

If you are thinking about buying a business soon, don't sign a deal before you check on whether the firm's computers will be affected by the year 2000 problem.

Due diligence is more important than ever, says Deborah L. Bayles, a partner with Freeborn & Peters, a law firm in Denver. She warns that unsuspecting buyers may end up with expensive computer problems that a wily seller conveniently neglected to disclose.

The so-called millennium bug is a result of programmers' decisions decades ago to reduce years to as few digits as possible. Thus, 1999 is represented by 99. When Jan. 1, 2000, arrives, computers might behave as if it's Jan. 1, 1900, or they simply might stop functioning. (For more on the subject, see "Counting Down To The Year 2000," August.)

"The purpose of a due-diligence request is simply to uncover information," says Bayles. Including six or seven questions in your due-diligence request about issues related to the year 2000 problem can save a lot of headaches down the road, she says.

If the questions come back unanswered, it may indicate that the company's officials are hiding something or simply have not analyzed the issue. Under either scenario, you will want to take a closer look and ask

more-detailed questions, says Bayles.

In shaping your due-diligence checklist, make sure that, among other things, you take the following steps:

- Identify potential sources of year 2000 problems, whether within the company or with contractors or suppliers.

- Request details about what has been done to solve the identified millennium-bug problems.

- Obtain copies of all documents relating to any millennium compliance audits and all contracts regarding software development and computer-system maintenance.

It's not just computer-program problems that you are looking for, says Richard Haloran, an attorney with the Lewis and Roca law firm in Phoenix. "Many electronic components have integrated circuits that can be subject to problems. Come Jan. 1, 2000, things such as copy machines might not work."

Says Bayles: "You will want to get warranties that any software and hardware you are acquiring is year 2000 compliant." You also need to be able to analyze the contracts you are acquiring, not only supply and vendor contracts, she says, but customer contracts as well.

If you are selling a business, be pre-



pared to answer potential buyers' detailed questions about your operations and computer systems.

"We're not going to know the true ramifications of this [year 2000 problem] until the turn of the millennium," says Bayles. "But I have very little doubt that there will be business failures because of this. And I have very little doubt that there will be substantial legal fights."

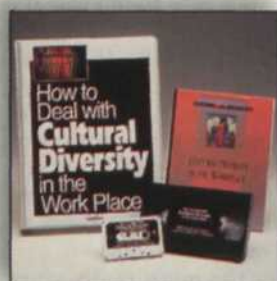
Says Jose Cardenas, also an attorney with Lewis and Roca: "Some members of the plaintiff's bar are looking at this as a fertile source of litigation for the years to come."

—Cynthia Scanlon

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INVESTING

Knowing When It's Time To Sell A Stock

By Randy Myers

Imagine roaring down the freeway in a sports car without knowing how to use the brakes.

That's essentially what you're doing when you invest in stocks without knowing the specific conditions under which you will later sell them.

Suppose, for the sake of illustration, you purchased shares of a particular corporation with the expectation that they would appreciate 15 percent in one year. Now imagine that they actually go up 15 percent in one month.

Do you stay aboard, hoping for even bigger gains, or do you sell and lock in your profits? What if the stock goes down 15 percent? Does it make sense to hold tight, hoping to get back to even, or should you cut your losses and move on?

To a certain extent, you're going to make these decisions on a case-by-case basis with every stock you put into your portfolio. But unless you have a well-planned sell discipline, you're likely to be guided more by your emotions than your intellect, and that's a formula for disaster.

"I don't care who you are, everybody's going to make mistakes when they buy stocks," says Bill O'Connor, manager of the \$340 million Marshall Large Cap Growth & Income Fund in Milwaukee. "And I think the key to success is how you handle your losers as well as your winners."

Deciding when to sell depends first on what persuaded you to buy. If, for example, you like to buy stocks of companies whose earnings are growing faster than those of their peers, you'll probably want to bail out when your companies start to miss your profit targets.

If you buy principally because a stock seems undervalued, you'll probably want to sell once other investors have recognized its appeal and driven its price up in line with, or above, the rest of the market.

Creating your own sell discipline is as much art as science. Even professional in-

vestors follow widely varied strategies. But the most successful investors stick with those strategies once they develop them.

To help you get started, here are six good reasons to consider selling stocks in your portfolio, culled from interviews with three professional investors: O'Connor of

lower the earnings yield, the more expensive the stock in relation to its earnings power.)

2. Negative Price Momentum

If a stock's price starts to tumble, be prepared to cut your losses. Ghiskey considers selling a stock if it falls 15 percent below his purchase price (in a relatively flat market environment), or if it underperforms the market by 15 percent over at least three months.

By contrast, O'Connor sells a stock automatically if it falls to 30 percent below the fund's purchase cost.

"At that point, the math really starts working against you," O'Connor says. "If a stock is down 30 percent, it needs to rebound 42 percent to get you back to even. If it goes down 40 percent, you need 70 percent to rebound. And if you let a stock go down 50 percent, it needs to double before you get back to even."

3. Extraordinary Positive Price Momentum

In other words, don't be greedy. "As an individual investor, I like to get my money out once I recoup my original investment," says Meyers, who skips the Kent Growth & Income Fund while serving as director of active equity management for Lyon Street Asset Management in Grand Rapids, Mich. "If I purchase a stock and it doubles, I take my original investment out—no questions asked."

4. Universally High Expectations

"When everything is going exceptionally well for a company, when every Wall Street analyst loves it and it seems like nothing can ever go wrong, that should be a red flag," Ghiskey warns. "Especially if it's accompanied by a high valuation. It means that nobody else can get positive, they can only get negative."

5. Management Indecision

If it appears that management is indecisive about the direction in which to take the company or is more concerned about executive pay and company jets than shareholder value, says Ghiskey, chances are the stock isn't going to perform well.

6. Portfolio Weightings

If a stock does very well, it may account for a bigger portion of your portfolio than prudent diversification would dictate, observes Meyers. That can be risky. Harvest some of your gains, pay your capital-gains taxes, and put that money to work in other stocks.



the Marshall Large Cap Growth & Income Fund, Timothy Ghiskey, manager of the Dreyfus Fund, and Allan Meyers, manager of the Kent Growth & Income Fund. Choose the considerations that fit your investment style, then make them a constant part of your strategy.

1. Valuation

Ghiskey, pilot of the \$3 billion Dreyfus Fund and head of value equities for Dreyfus Corp. in New York City, says he sells any stock in his fund's portfolio automatically if it exceeds his valuation criteria.

In his case, that means when a company's earnings yield (its projected annual per-share earnings for the year ahead, divided by its stock price) falls below the yield on 90-day Treasury bills.

Alternatively, during periods when there is little difference between short-term and long-term interest rates (as is the case today), Ghiskey sells a stock when the earnings yield falls below 80 percent of the yield on five-year Treasury notes. (The

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MARKETING

Making Your Mark Through Branding

By Dale D. Buss

Even before Susan Lee had her own office or employees, she had established a brand—a clear idea in the minds of her customers of what her company was, stood for, valued, and would provide for them.

She leveraged her background in theater marketing and worked with a series of partners to develop an array of business ventures that package live theater and make it more consumer-friendly. The ventures include a theater "camp" for children and a service that provides international theatergoers at Broadway shows with translation through headphones. Producers of "The King and I" and "Les Misérables," for example, have used Lee's ShowTrans service.

"I knew where our industry was and how it must evolve into the next century," says Lee, 40, who founded her New York City-based company, Leonine Entertainment Inc., three years ago. "My brand essentially is to provide products and services that help make these adjustments, one at a time. I've got my financing in place, and now I'm hiring people. But it all started with my brand."

Branding is the hottest concept in marketing today, and as Lee is demonstrating, it's an idea that is not just for the deep-pocketed, highly glossed Coca-Colas and Nikes of the world. An increasing number of independent-business owners are embracing branding as the guiding philosophy for building their companies.

They're proving that small size is no obstacle to effective branding, whether locally, regionally, or even nationally. Moreover, branding can be a vital strategy for service companies and manufacturers alike.

Creating An Impression

The practice of branding doesn't rely simply on marketing, advertising, a logo, or signage. These are only tools used in building a brand. Branding is the establishment and nurturing of a substantive, consistent, enduring, distinct—or, best of all, unique—impression in the minds of

your target customers. Or, as Boston-based brand-development consultancy The Forum Corp. says, it involves the creation of an "indelible impression" on consumers through "branded customer experiences."

"If you just look at marketing or marketing communications, all that does is build awareness and knowledge of a company

Creating an "indelible impression" on consumers is a hot concept in marketing, and it's not just for the big boys.

its products, and its services evolve. And you typically will increase profit margins, because the more strongly customers perceive and appreciate the uniqueness of a brand, the more they'll be willing to pay for it rather than choose lower-priced products or services from the brand's competitors.

"Branding creates memory links; mem-



PHOTO: STAM BOROLUK—BLACK STAR

"It all started with my brand," says Susan Lee, whose firm provides translation for theatergoers.

and its products and services," says Michael Crawford, president of M/C/C, a Dallas-based agency that helps high-tech companies build their brands. "When you talk about building a brand, you're talking about building an ownable position out there in the marketplace, a complete, real competitive advantage, whether it's price, reliability, flexibility, or some combination of attributes that adds up to your own brand."

If customers like your brand, they will like—and patronize—your company. You'll build customer loyalty. You'll develop a vehicle that will carry customers along with you as trends change and as your company,

ory links dictate purchasing decisions. Purchasing decisions, of course, spur and maintain profit," says Sara Muller, senior vice president of Storz, Zieglus & Metzger, a public-relations firm based in Sacramento, Calif.

Small companies are embracing branding in part because they've seen the Fortune 500 corporations concentrating on building and leveraging their brands more than ever before.

Coca-Cola Co. made the new Braves baseball stadium in Atlanta a shrine to Coke; giant Nikeworld stores extend the icon of the Nike swoosh into the realm of "experiential" retailing; mail-order clothier

MARKETING

Lands' End Inc. now is offering safaris as well as khakis; and Walt Disney Co. bought the Mighty Ducks and the Anaheim Angels and is marketing these pro sports teams just as it does Mickey Mouse.

Standing Out From The Crowd

Even if your business arena is much smaller and you have limited resources, branding can still be an effective business-development tool.

"Branding really has to do with what you do inside your scope of influence," says Marsha Lindsay, president of Lindsay & Stone, a Madison, Wis.-based marketing-communications agency that hosts annual seminars on branding. "If your scope is every American, you need big bucks. But if your target is two states or just 200 manufacturers, you can brand to them just as easily if you're a small company as a large—as long as you focus."

Ricky Eisen will testify to that. When she founded her catering company in New York City in 1978, she was determined to make it stand out from the crowd. Now, with nearly 2,000 business-to-business customers and revenues of \$7 million last year, Between the Bread has accomplished that goal.

Her brand starts with menus that are innovative yet familiar, high-quality but affordable, unfussy yet attractively presented. And then there are the "just-somethings," such as the fact that the company's food is unfailingly delivered in logo-marked white boxes tied with colorful ribbons.

"What I wanted to do is to have people cross from saying, 'Let's call the deli' to 'Let's call Between the Bread,'" she says. "Like the difference between crossing the street for a soft drink—or a Coke.

... People know when they call Between the Bread that they're going to get a certain look, product, and taste, and that's a comfort for people."

It also is of great comfort for Eisen: "Because our brand image is so strong, we can charge \$7.45 for a tuna-salad sandwich instead of \$3."

Similarly, Josh and Michael Bracken have built a brand for their Nicholson-Hardie nursery in Dallas by fashioning it into an upscale "destination" store that focuses on uniqueness and quality much more than most independent nurseries do. The brothers stock top-of-the-line tools—such as a \$35 pair of British sheep shears—and they carry rare and expensive plants such as Mount Fuji phlox,

which sells for as much as \$6 per seedling.

The Brackens sell brass fountains that cost in the thousands, and they run radio ads that tempt listeners to "meander through the azaleas" at Nicholson-Hardie.

The brothers realized that they had succeeded in building a credible brand a few years ago, when they launched a line of private-label topsoil and potting soil that

ants for supermarket shelf space and a share of the dollars spent by potato-chip lovers across the country.

The Hyannis, Mass.-based company focuses on its self-developed "batch" processing of potatoes, which yields a distinctive taste and texture; extends its product line with chips made from different varieties of potatoes rather than just dusting on flavorings as some of its bigger competitors do; relies on product sampling instead of traditional advertising as its marketing workhorse; and supports its regional identity with everything from tours of its factory to its product packaging, which features a lighthouse.

"If you go out in some areas of the country, it's Frito-Lay and private-store-brand labels and that's it," says Stephen Bernard, the company's founder and president, who sold the firm to Anheuser-Busch Co. and, a few years later, in 1996, bought it back. "We offer the perfect alternative," he says. "We just focus on the potatoes."

A start-up food-product company, Medical Foods, Inc., is at the crucial stage of trying to make the transition from a one-product brand to a broader company-brand identity.

The company, based in Cambridge, Mass., develops and markets what it calls functional foods, in candy-bar form. Its products exceed the safe-ingredients requirements set by the U.S. Food and Drug Administration for medical foods. Its first product was the NiteBite Timed-Release Glucose Bar, a chocolate- or peanut-butter-flavored bar that releases glucose slowly into the bloodstream to manage hypoglycemia.

"Initially we were emphasizing NiteBite because it was a new

product in a new category from a new company and our company name didn't mean anything. The only thing that would mean anything was the first product out the door," says Franklin Loew, president and co-owner of the company, which expects to have \$1 million in sales this year.

Medical Foods has begun introducing a stream of other products—such as a candy bar with ingredients that the company says help reduce the side effects of Ritalin and other drugs used to treat hyperactivity in children.

"We've decided to focus more on raising the profile of the company name," Loew says. "We want to be able to go back with each new product to the retail channels and say, 'We're the same company that did

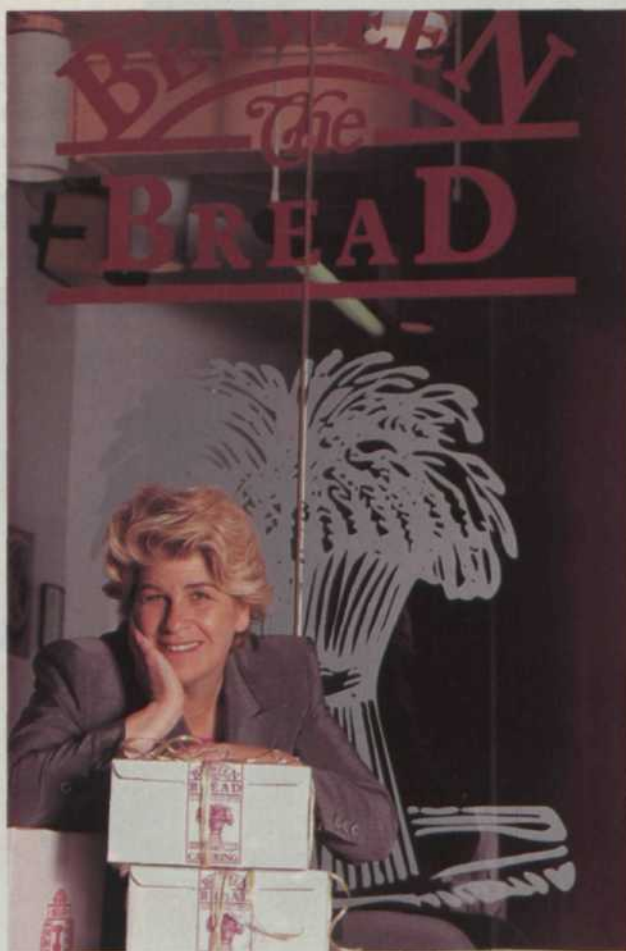


PHOTO: CWAYNE SORCE

Catered meals that stand out from the crowd have helped Ricky Eisen's company reach \$7 million in annual revenues.

is friendly to native species because it's from north Texas. Sales of these premium-priced house-brand dirts doubled compared with the products they replaced.

Now the Brackens are experimenting with transferring the private-label strategy to flora. "In this market, there's definitely power in putting the Nicholson-Hardie sticker on plants," says Josh Bracken.

If you're interested in developing your own brand, consider these suggestions from entrepreneurs and branding experts:

Establish your uniqueness.

That's what Cape Cod Chips has done as it has battled with snack-industry gi-

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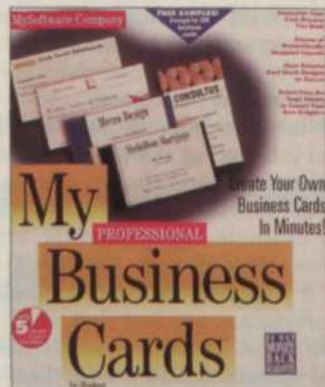
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MARKETING

NiteBite.' After two or three times, we want our company name to be recognizable along with our products. So branding is a very important issue to us right now."

In other words, Loew wants customers to believe that whatever the specific product, the fact that it's from Medical Foods assures its value and quality because of the company's strong brand.

Stay within your core.

Nicholson-Hardie's Josh Bracken may find it tempting, but so far he has resisted trying to extend the company's private-label line even further—into herbicides, for example—or to take the brand into other retailers' shops.

"If you put your private label into the marketplace, you lose that edge," he says. "We're not wholesalers, we're retailers—and we need to stay true to that."

Similarly, China Mist Tea Co. in Phoenix has grown to a \$4 million company in just a few years by providing only iced tea and selling only to restaurants and institutions. Along with that growth, however, has come the temptation to expand beyond its core business or to partner with a beverage giant such as Coca-Cola Co. or PepsiCo.

"We have such fanatically loyal customers that even Coke has noticed it and commented to us about it, and that's the key to our growth," says Dan Schweiker, co-owner of the company. "The reason is we know what our niche is and pay attention to it. We're not trying to become Lip-ton tea."

Leverage your brand.

The power of a good brand is that it can transcend the individual product or service that helped create it. Sport & Social Clubs of the U.S., based in Chicago, was originally a planner of intramural sports leagues but has extended its brand to full-service travel coordination to take advantage of the affinity that its mostly single, upscale customers have for the company.

"It was an easy transition because of what our brand already stood for among our demographic group of customers," says 36-year-old Sandy Thomas, founder and owner of the company, which has 80 employees and expects to have \$11 million in sales this year. "People are thinking, 'If Sport & Social Clubs are doing it, it must be good.'"

Repeat, repeat, repeat.

You should express or reiterate the promise of your brand not just in the product itself but at every point of contact with your customer, says The Forum Corp., the Boston consultancy.

Thomas, for example, says she makes sure that "every corner of every collateral

piece [of marketing information] has the Sport & Social Clubs logo. And our logo for every city looks the same except for the city name."

Russound is a small manufacturer of stereo amplification and channeling systems for the home-entertainment market. When the Newmarket, N.H., company commissioned a new logo, it adapted it across the board for a total upgrade of the firm's packaging, even applying it to shipping cartons.

"The company was moving into retail environments where it needed a more distinctive, high-end look," says Kory Kolligan, chief operating officer of Design Con-

who has been teaching about brand equity for 10 years. One particularly effective device, he says, is local cable-TV advertising.

Utz Potato Chip Co. of Hanover, Pa., for instance, has built a whole advertising campaign around the fact that people outside the mid-Atlantic region can't buy Utz products in stores.

Small regional brewer Point Brewing Co. stopped a five-year sales decline last year by paring back its attention to the 12-county region around its Stevens Point, Wis., headquarters. Working with nearby advertising agency Lindsay & Stone, Point Brewing used locally themed adver-



PHOTO: GUYTON R. FULTON

Uniqueness and quality are the factors that have enabled the Dallas nursery run by Michael, left, and Josh Bracken to blossom into an upscale "destination" store.

tinuum, the West Newton, Mass., design firm that worked with Russound. "We came up with a sleeve with the new logo that slipped over the old boxes."

Dominate a geographic or niche market.

Coke may have taught the world to sing, but a savvy small brander can dominate southwestern Mississippi or Schenectady, N.Y.

"Even local heating-oil companies can achieve competitive advantage in a given market through a well-developed brand image brought about through clever positioning strategy and consistent, integrated advertising," says James Maskulka, a marketing professor at Lehigh University in Bethlehem, Pa.,

tising and other marketing techniques to increase its sales by 3 percent.

Make your brand stand for one attribute.

One approach that many small companies use to build a brand image is to make the brand stand for one attribute, such as lowest price or highest quality.

That's why, in the face of exploding demand for prepaid telephone cards to be used as promotional giveaways, Douglas Fieldhouse has chosen to stick with one market for his company: airlines and other travel organizations that award cards through frequent-flier clubs and other programs.

"A lot of prepaid-card companies are going after credit-challenged customers,

whereas the traveler is really more of an up-market customer who's less price-sensitive but more demanding of good service," says Fieldhouse, president, CEO, and co-owner of Carrier Services, based in Portland, Ore.

In a similar way, Cafe Concepts & Management Inc., which operates a popular restaurant in Chicago, has perfected one thing—"fresh, authentic, unpretentious Italian food," in the words of Richard Smith, the company's president—and is looking to propagate its brand value outside its traditional market. It's establishing a restaurant in Las Vegas, for example, and is setting up a takeout division

diamond wholesaler for several years, Glenn Rothman in 1996 came up with the idea of cutting diamonds in a way that would give them extra symmetry and sparkle—and then branding the product line, an almost unheard-of notion in the diamond business, which treats its products basically as a very expensive commodity.

But the fateful extra twist introduced by the self-described former street peddler was to make the purchase of a Hearts of Fire diamond as much a part of the brand's identity as the product itself. A "proportion scope" on the counter of each jewelry store that sells the line magnifies the stone while filtering out white light, highlighting the distinctive details of the Hearts of Fire: eight hearts and eight arrows.

"Customers can have an experience at the counter that they can't have over the [World Wide Web] or the phone: a truly romantic experience," says Rothman, 47. "So we've created not only a pure product that is differentiated but also a romantic experience that also is part of the brand."

Di-Star's sales shot up to \$15 million last year from \$10 million the year before, an increase that Rothman says was fully attributable to the success of the Hearts of Fire brand.

Dare to work with other brands.

Big food companies, for example, have discovered in the 1990s that "co-branding" can yield remarkable synergies while not diluting their own distinct brands. Co-branding brings two brands together to share costs and

to command consumer attention that neither brand could get alone.

Small companies can use the concept, too. For example, in Cincinnati, Gold Star Chili Inc., whose restaurants serve chili in the city's famous style, is opening locations in other markets in Ohio and Kentucky, teaming up with restaurants such as Blimpie Subs and Rax Roast Beef.

And sometimes for small companies, co-branding is a matter of hitching a ride with a better-known brand. Says Carrier Services' Fieldhouse: "We want to be linked with well-known brands and in a sense piggyback off the brand equity that they have developed."

Lee, of Leonine Entertainment, is visionary enough to talk about co-branding with a company on the order of Coca-Cola or Nike one day. "I believe that within two years I'll have a relationship with the likes of big brands like that," she predicts. "The arts are becoming as viable and big a venue in this culture as sports have become. I'm right there."

Such is the confidence that is bred in small-business owners when they know that they're building not only sales but also a unique, enduring brand. **IB**

To Learn More

The number of resources available to help small-business owners with branding is expanding. Here are some of them:

The 22 Immutable Laws of Branding, by Al Ries and Laura Ries, to be published Oct. 1 (HarperBusiness, \$23). Call 1-800-331-3736 to order a copy of this book by the co-founders of Atlanta-based marketing consultancy Ries & Ries.

PowerBranding: Building Brands for Competitive Advantage, by Grant Johnson (IDG, \$21.95). This volume by consultant Johnson addresses branding on a limited budget. It can be ordered via the World Wide Web at www.amazon.com or at www.probrand.com, the site of Johnson's company.

The Branded Customer Experience, by The Forum Corp. Call (617) 523-7300 to obtain this free 12-page brochure on the importance of branding from the customer's point of view.

"Brandworks," an annual seminar on branding held by Lindsay, Stone & Briggs Advertising Inc. of Madison, Wis. The next seminar is scheduled for Sept. 29 and 30, 1999, in Madison. There is no cost, but attendance is by invitation only.

Owners of small companies who wish to apply should send a note, including reason for interest in the seminar, on company letterhead to: Marsha Lindsay; Lindsay, Stone & Briggs Advertising; 100 State St.; Madison, Wis. 53703.

There are numerous consulting firms that have expertise in branding. Among them:

- The Brand Consultancy, Atlanta, (770) 409-9004.
- Interbrand, New York City, (212) 752-4400.
- The Leonhardt Group, Seattle, (206) 624-0551.
- Pipeline Marketing, Kansas City, Mo., (816) 455-4395.
- Sawtooth, Woodbridge, N.J., (732) 636-6600.



PHOTO: ORVAL FINN HESTORT
At Sport & Social Clubs, owner Sandy Thomas has extended the firm's brand to full-service travel coordination.

called Pronto Roma, which will function as a commissary for two or three client restaurants in Chicago.

Embrace the unusual.

Particularly in the early going, one of the best ways to create a brand is to do something fanciful or over the top—something that grabs customers' attention and holds it long enough to convince them that the products and services have value.

New York City-based Di-Star Ltd., for instance, has developed a branding concept centered on its Hearts of Fire line of diamonds.

After running Di-Star as a conventional

FINANCE

Low-Profile Money Sources

By Roberta Reynolds

Three times in the past six years, Stan Cipkowski needed money for his fast-growing company, but he wasn't willing to give up control of the firm to get the funds. So he stayed away from venture-capital and buyout groups, which take some control in exchange for investing in a business. He opted instead for private placements to "hands-off" investors.

Cipkowski's firm, American Bio Medica Corp. (ABM) of Hudson, N.Y., has raised \$6 million from the deals, no two of which were alike. What's more, key managers still own more than half the company, which has developed a kit for screening employees for drugs.

In a private placement, investors buy stock or lend money, using a variety of financing instruments. (See "Capital Terms," on Page 33.) Those with a hands-off approach don't ask for board seats, and they are content to "fund the business plan that already exists," explains Jim Tilton, vice president of Shoreline Pacific Institutional Finance, an investment-banking firm in Sausalito, Calif. The firm specializes in financing for small and medium-sized businesses.

Hands-off investors typically look for a 25 percent return per year, Tilton says, and they expect to get it primarily through appreciation of the firm's stock value. Most frequently, he adds, the buyer is "a sophisticated, higher-risk-oriented mutual fund" that accepts few investors. Individuals with high net worth and institutions such as pension funds may also take a hands-off approach to private placements.

It's difficult to determine how much money flows to small businesses through these financing arrangements. Part of the reason is that "hands off" is defined by "the management philosophy of the investor" rather than by the structure of the investing entity, says Robert L. Paglia, partner in charge of the Financial Advisory Services Group of PricewaterhouseCoopers in Boston.

Nevertheless, private placements are

This story is part of a continuing series on ways for small companies to locate the financing they need to run their businesses.

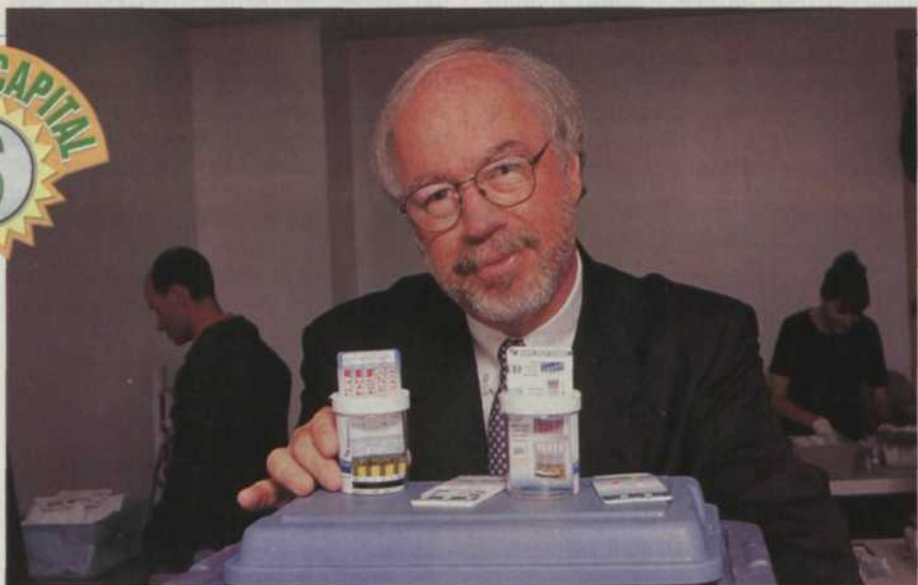


PHOTO: CHARLES MOORE—BLACK STAR

To fund development of American Bio Medica's drug-screening kit, CEO Stan Cipkowski chose private placements to "hands-off" investors, leaving ownership with key managers.

more open to small businesses than they were a few years ago, says Tilton. Because of the bull market of recent years, he adds, "there is a lot of money out there looking for investments."

The Hunt For Development Funds

For ABM, private-placement investing has helped stimulate growth. The firm's drug-screening kit, says Cipkowski, president and CEO, is quicker and simpler to use than competitors' kits, and business is expanding fast as production gears up. From March through June, the number of employees jumped to 48 from 25.

Development of the kit began in 1992. The company had already gone public and was listed on the OTC Bulletin Board, an information service for investors. The company had been in some unrelated businesses, but they weren't making money. Cipkowski closed them, paid the bills, and was left with "a clean, publicly traded shell," as he puts it. He renamed this shell and began the hunt to fund product development.

Some options fizzled fast. "We talked to venture-capital people," he says. "They simply wanted too much." Wall Street wasn't interested. A public offering was out because "we didn't really have rev-

While "hands-off" private-placement investors don't require control for their stake, they may expect rapid growth of stock value.

enues, we were tiny, and had very little trading activity."

A regional broker who had read about Cipkowski introduced him to a New York City-based attorney, Joel Pensley. Working with Pensley, Cipkowski raised more than \$2 million from 1992 through 1995 with private placements of convertible debentures. ABM paid 12 percent on the loans, sometimes in cash and sometimes in stock.

The offering was sold to the company's 350 existing shareholders—high-net-worth individuals, investment clubs, and even a monastery in the region. ABM also gained shareholders by putting ads in newspapers in nearby cities.

ABM stock soared from 38 cents a share in 1992 to \$6 a share four years later. By 1996, Cipkowski was getting calls from brokers at regional investment-banking firms offering to help with financing. These agents identify companies that need money, find investors, and receive commissions. ABM had become attractive to them because its stock was being traded regularly. This meant that prospective investors would foresee a market for the shares they would get in private-placement deals.

At the time, ABM's revenues were still negligible, so the financing alternatives were limited. Cipkowski opted to do a

convertible preferred stock offering in September 1996 for \$1.5 million. The transaction was done through representatives such as the buyer's lawyer and a broker who had called Cipkowski to ask if he needed money. The entrepreneur never met the investor.

Blocks Of Loans

To make private-placement-financing arrangements attractive to investors, entrepreneurs must part with some stock cheaply. When the first deal began in 1992, ABM stock was at 38 cents a share. Investors lent money, typically in blocks of \$5,000. After three years, these lenders could choose to get their money back or to convert their debentures to shares of stock at 75 cents a share. By then, the stock was trading at \$3 to \$4. Similarly, the 1996 convertible-preferred-stock offering allowed investors to convert their shares to common stock in just six months and at 25 percent below its market price.

The most recent private placement, completed in April, consists of convertible preferred stock and warrants to acquire 100,000 shares of ABM common stock. The company was able to negotiate better terms than before because its position was

Candidates for private placements include firms that "are already public or plan to do a public offering or sell the company in two to three years."

—Jim Tilton, Vice President,
Shoreline Pacific
Institutional Finance

stronger. ABM was trading on the Nasdaq Small-Cap Market rather than being listed on the OTC Bulletin Board, and it was trading actively because the firm had sales and visible momentum.

The fact that "so many people are out there looking for a place to put their money" helped too, says Cipkowski. As a result, ABM negotiated a deal in which investors will get only a 5 percent discount from the price at

which the stock is trading when they convert. (A contract provision called a "floating ratio" will change the equation under certain circumstances.)

ABM and the investor, a fund that manages a pool of money for wealthy individuals and institutions, expect their relationship to last longer than the one established by the 1996 offering. Cipkowski says: "If I go to this group and say, 'I want to buy a certain company and need money,' they are going to take a good look at it" with an eye toward investing more.

The Crucial Questions

Private placements to hands-off investors are best-suited "for companies that have some maturity," says Tilton. "They are already public or plan to do a public offering or sell the company in the next two to three years. The most important thing is having an answer to the questions: What is the exit strategy for the investor? How are they going to be repaid? If it's debt, do you have the cash flow to repay them?"

Expenses typically run from 5 to 15 percent of the deal, says Tilton. The minimum-size offering depends on the size of the fund you are dealing with. Some investors will do a transaction as small as \$100,000.

You can't find this kind of investor in the Yellow Pages. Your local broker likely will know people who do private placements. Sometimes, a small, regional brokerage has a department that does them. Talk to others in the financial community, such as bankers, and to companies that have done such financing deals.

Cipkowski is eager to pass along a lesson he learned the hard way: "If any broker or investment banker tells you they need a retainer upfront, turn around and run away," he says. "Early on, I got burned a few times by these sharks. Any good person raising money for you will take his commission after the fact—and there are plenty of good guys out there."

NB

Roberta Reynes is a business and financial writer in Spencertown, N.Y.



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Capital Terms

Private Placement. The placement of equity or debt with an institutional buyer—such as an insurance company, a pension fund, or a venture-capital firm—or an individual with high net worth. In contrast, in a public offering, anyone can buy the stock.

Preferred Stock. Stock that has priority claim over common stock on dividends and assets if a company goes bankrupt. It usually pays a dividend.

Convertible Preferred Stock. Preferred stock that can be converted into shares of a company's common stock on specified dates under a defined conversion-price formula.

Warrant. An agreement stipulating that at some point the holder can buy stock at an advantageous price.

Debenture. Debt that is not backed by collateral.

Convertible Debenture. A debenture that can be converted into stock at the option of the holder and/or the issuer.

Nation'sBusiness
The Small Business Adviser

SMALL BUSINESS TECHNOLOGY

E-Commerce Takes Off

By Tim McCollum

Doing business on the Internet has become a competitive necessity for many small companies. In virtually all industries, large corporations and government agencies are telling suppliers to trade with them online or risk losing their business.

In addition, enterprising companies are ramping up to take advantage of business opportunities made possible by the Internet.

"The Internet can really help small companies improve their competitive posture," says Steve Solazo, vice president of small and growing businesses for IBM Corp.'s software division in Somers, N.Y. "If they can move more quickly to make information available to their suppliers and buyers, they can get an advantage over their competitors."

For ES Energy Systems LLC, an energy-services company in Tucson, Ariz., trading via the Internet has become a matter of survival. Because of deregulation in the electric-power industry, says ES Energy Systems' CEO, Randy Decker, an increasing number of electric utilities are forming divisions that install lighting systems for large commercial customers such as office buildings and hospitals—the very market that ES Energy Systems was founded in 1993 to serve.

To compete with these newly formed divisions, ES Energy Systems is set to begin using the Internet to recruit and manage a network of contractors who will provide services to commercial customers nationwide.

At ES Energy Systems' World Wide Web site, called EarthSavers, the company's contractor-partners will be able, beginning this fall, to bid on lighting projects, plan and coordinate installations, monitor customers' energy consumption, and conduct other business activities. EarthSavers will enable ES Energy Systems and its partners to cut their business costs and generate business that other-

wise might go to competitors.

ES Energy Systems and its partners will become, in effect, an online energy utility. By pooling their resources at the EarthSavers site, these small contractors

Online sales between companies are thriving, expanding, and becoming a necessity for small businesses.

Business-to-business e-commerce makes up the largest portion of Internet commerce, with sales totaling \$8 billion in 1997, according to Forrester Research, a market-research firm in Cambridge, Mass. (See the chart on Page 36.)

Another research firm, the Yankee Group in Boston, estimates that business-to-business e-commerce will grow to \$171 billion by the turn of the century.

Increasingly, small companies are becoming aware of opportunities to sell to other businesses as well as to consumers online. New York City-based consulting firm Access Media International Inc. estimates that more than 2.5 million U.S. small businesses have some form of Internet access. Of those, says Access Media, 900,000 have Web sites, and nearly half of those companies are transacting sales online with consumers or businesses.

Large companies have been building private networks called VANs (virtual private networks) for more than two decades to link with business partners such as suppliers and contractors. But small companies couldn't justify doing business electronically because of the large investment in software, hardware, and telecommunications equipment required to build a VAN. That changed with the emergence of the public Internet.

Now, small firms that can arrange to do business on the Internet stand to win big. Time may be running out, however, for firms that haven't acquired online-business capabilities, says Erica Rugullies, an industry analyst at Giga Information

Group, a research firm in Cambridge. Rugullies says it is becoming harder and costlier for companies to establish themselves on the Internet because they have to accelerate their efforts to catch up with competitors that are already online. (See "What Your Web Site Needs," Page 36.)

ES Energy Systems is building its trad-



PHOTO: GERALD GERO

A bright idea for using the Internet will allow Randy Decker and his energy-services company, ES Energy Systems in Tucson, Ariz., to link contractors and commercial customers across the country.

hope to serve customers they would not have the resources to reach on their own.

Where The Dollars Are

Online commerce is not just about selling to consumers. The core of electronic commerce is between businesses, and this segment is thriving.

Be prepared for 2000.

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Will your customers, distributors and suppliers want to keep doing business with a company that isn't Year 2000 ready? It's not just a computer issue. It's one of the most pressing business issues facing companies today. Including yours. For a thorough overview and guidance on how to formulate your action plan, the SBA, U.S. Chamber of Commerce and IBM can help. Visit www.sba.gov/y2k and www.ibm.com/businesscenter/yr2000, or call the SBA's toll-free Fax-Back service at 1 877 789-2565. Within minutes you'll receive a fax targeted to your specific needs. Now is the time to act.



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SMALL BUSINESS TECHNOLOGY

Commercial Sales Via The Internet

Estimated value of Internet transactions within industry sectors, in billions of dollars.

	1997	1998	1999	2000	2001	2002
Manufacturing	\$3	\$8	\$17	\$41	\$68	\$116
Wholesale/Retailing	2	6	18	48	89	168
Utilities	2	2	3	5	7	10
Services	1	1	3	11	19	33

SOURCE: FORRESTER RESEARCH INC.

CHART: GEORGIA LEIGH McDONALD

ing network on the Internet by partnering with Affiliated Distributors—a distribution network based in Wayne, Pa.—to launch EarthSavers.

The site is being constructed by Internet consulting firm Web Emporium LLC of Phoenix, which is using IBM's Net.Commerce e-commerce technology. Net.Commerce will enable EarthSavers to process financial transactions between contractors and suppliers. An IBM database program will maintain pertinent information on contractors, customers, and suppliers.

In addition, Web Emporium is creating custom software programs for EarthSavers that should provide small contractor-partners with a competitive boost. For example, one application will calculate a potential customer's current energy costs and the potential savings from installing energy-saving fixtures.

Contractors will be able to create job proposals, print contracts, order fixtures, and track the status of projects online. They will even be able to secure financing for customers through an arrangement with Transamerica Corp. in San Francisco.

Decker says ES Energy Systems and Affiliated Distributors have invested \$300,000 to develop EarthSavers. ES Energy Systems won't charge contractors who register as partners. Instead, the company plans to recoup its costs from manufacturers for equipment orders placed using the system.

Electronic Ties That Bind

Advocates say the Internet is supposed to eliminate the middleman by allowing companies to deal directly with their end customers. But so far the opposite is happening: The Internet is allowing companies to link their distribution and supply channels into unified electronic networks.

This enables large corporations to outsource more of their supply and service tasks to small specialty contractors without losing control over the process, and it allows the larger companies to open up contracts to a wider range of small firms.

Before the Internet was opened to commercial use, large corporations could trade electronically only with companies that could afford to do business over private networks. Using a process called EDI (electronic data interchange), companies that trade over these closed networks can make financial transactions and exchange documents such as purchase orders, product specifications, and invoices—all electronically.

In the past two years, however, large companies have begun to move some of their EDI business to the Internet, opening

their doors to contractors who need no more than a computer with Internet access and Web browser software. Such firms use the Internet to access secure Web sites, where they can bid on contracts, receive orders, and send invoices.

Among the small companies that have discovered that their largest trading partners expect them to trade electronically is A&M Specialists, a vehicle-fleet-management company in Detroit. For the past year, A&M has been using the Internet to trade with its primary business partner, Chrysler Corp., as part of a pilot program for suppliers. A&M distributes loaner cars to journalists for product reviews and provides cars and training to Chrysler dealers when new models become available.

A&M connects with Chrysler over the Internet using a Web EDI service called GE TradeWeb, from GE Information Services Inc. in Rockville, Md. The company receives orders from Chrysler by electronic mail through the TradeWeb Web site and enters them into its accounting system. It then generates an invoice using a template developed by Chrysler. Once a month, A&M sends its invoices to Chrysler over the Web. A&M pays \$50 a month to subscribe to TradeWeb, plus a fee for each transaction.

TradeWeb has increased the speed and

What Your Web Site Needs

With an increasing number of small companies conducting business online, one of the greatest challenges facing newcomers to the electronic-commerce arena is setting themselves apart from the pack.

Trading online requires companies to do more than simply set up a site to promote their goods and provide information about their businesses. The real go-getters are using the World Wide Web to take orders and payments.

Here are some basic steps to take in setting up a competitive Web site:

■ Recognize that the longer you wait, the more difficult the task is likely to become. While you're waiting, more competitors are likely to get farther ahead of you. So get moving.

■ Determine what your customers want. In most cases, the needs of large trading partners will dictate what a company does on the Internet, says Erica Rugulies, an industry analyst with Giga Information

Group, a technology-research firm in Cambridge, Mass. "The most important thing is to know what your customers want and deliver more value than they expect," Rugulies says.

■ Add e-commerce features at the outset. Many Web sites fail because they aren't equipped to handle financial transactions, according to CommerceNet, an e-commerce consortium based in Palo Alto, Calif.

Companies including IBM Corp., Microsoft Corp., Netscape Communications Corp., Oracle Corp., and Sterling Commerce Inc. sell e-commerce software that lets businesses set up online catalogs, process orders, take credit-card payments, and download transaction data into their financial software.

Third-party services such as GE TradeWeb and Harbinger Express enable small firms to trade with other companies through secure Web sites using a Web browser.



efficiency of processing orders, says Debbie Trimboli, A&M's assistant controller and manager of the EDI system. Previously, A&M received orders from Chrysler and sent invoices through the mail. Trimboli says it took up to three months for the company to receive payments.

By trading over the Web, A&M gets paid within 30 days, Trimboli says. "The turnaround time is much faster, and if there are any problems with an invoice, they contact us right away through e-mail, and I can immediately turn around and correct it."

Chrysler's Internet EDI program began with 16 contractors and has grown to more than 1,000 companies. Such programs are one reason that sales of Internet EDI services are expected to grow 24 percent over the next three years, according to research firm Northern Business Information in New York City.

An Online Imperative

Another major corporation that is pushing business partners to trade with it over the Internet is Raytheon Co., an electronic-equipment manufacturer based in Lexington, Mass. This year, Raytheon informed its suppliers that it was phasing out its proprietary document-processing system—which ran on a dial-up electronic bulletin board—and replacing it with EDI.

To retain Raytheon's business, Lancaster Name Plate, a Palmdale, Calif., manufacturer of product nameplates and identification tags for industrial equipment, began looking at its EDI options. Chris Licciardi, Lancaster's general manager, quickly discovered that trading over a VAN was an expensive prospect for a four-person company. He learned, however, that Atlanta-based Harbinger Corp. had recently come out with a Web-based service called Harbinger Express that could handle transactions between Lancaster and Raytheon.

"When we were first looking at it, we were wondering whether we could afford EDI," Licciardi says. "There was a high start-up cost to buy the software, and then you had to have a monthly service [contract] with a VAN. With the Web, I just use my regular Internet provider, and there's no software to buy."

Using the Web, Lancaster receives Raytheon's requests for quotes and places bids electronically. In addition, Lancaster receives orders and sends invoices via the Web. Harbinger charges Lancaster a monthly subscription fee and \$1.50 for each document the company sends or receives.

Licciardi says the Web is somewhat costlier but is more efficient than Raytheon's electronic bulletin board, a private system that is used to communicate with suppliers and contractors. Before the bulletin board, transactions

were accomplished by fax and mail.

Licciardi says the biggest advantage of the Web is that it removes logistical barriers between Lancaster and Raytheon. For example, Raytheon and Lancaster are three time zones apart, so when the two companies were using paper invoices, Raytheon had to wait until Lancaster opened for business before it could fax purchase orders. Now the orders are sent online and are waiting for Licciardi when he arrives each day.

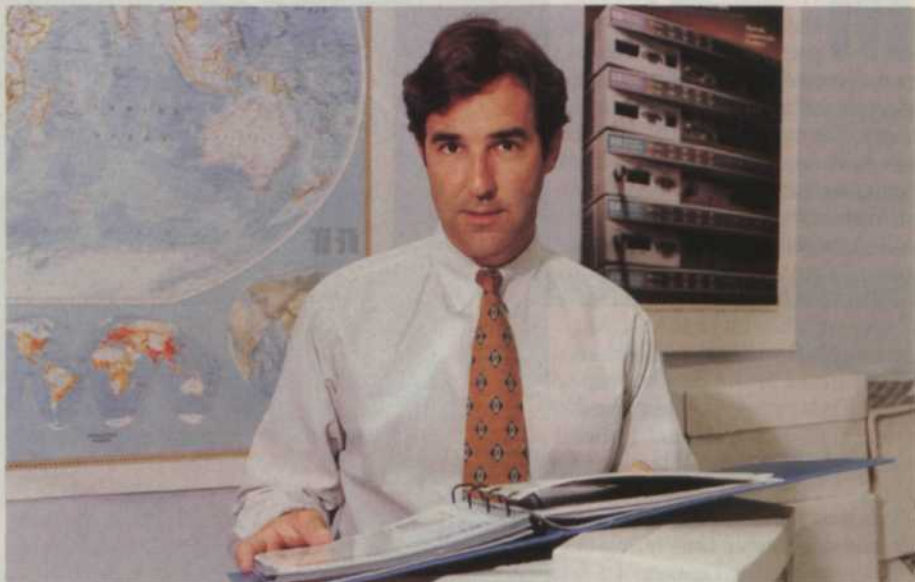


PHOTO: T. MICHAEL KEZA

Small firms with big plans can pursue international trade through the Internet, says Browning Rockwell, president of Washington, D.C.-based Trade Compass Inc., which has a World Wide Web site that facilitates trade and provides news and information related to business-to-business global commerce.

Firms Out Front

Some small companies are taking the offensive in e-commerce by starting their own trading networks with other businesses. One of the most innovative was developed by Trade Compass Inc. in Washington, D.C.

The Trade Compass Web site helps small companies transact business internationally. It provides international trade information such as shipping schedules, customs regulations, and product availability. Each day, Trade Compass sends subscribers an e-mail bulletin with global trade news.

Trade Compass has formed a hub for small import-export firms around the world where companies can go to develop business relationships and get advice about doing business in various countries. A sister site, the Global Information Network, provides links to international trade information on the Web. Trade Compass recently added to its primary site a section called Caravan, which enables companies to transact business online. The company

developed the application by customizing e-commerce software from Sterling Commerce Inc. in Dallas and tying it to a trade database using software from Oracle Corp. in Redwood Shores, Calif.

"We're providing kind of a universal interface so that a large company can talk to a small one and vice versa," says Browning Rockwell, Trade Compass' CEO. "The transaction capabilities allow us to become an Internet VAN. But instead of just being the pipeline, we're also providing the

transaction and the information behind the transaction."

Rockwell believes that the Internet has made it possible for small companies to have global aspirations. For 17 years he has run an international-trade firm, Horizon Trading Co. in Washington. He knows the difficulties that small companies can have trying to break into global markets. But he says the Internet gives companies a common method for doing business with one another anywhere in the world. "There's been a shift in the Internet from being consumer-oriented to being a business-to-business network," he says.

That shift is creating opportunities for companies such as Trade Compass to use the Internet to find business partners and develop trading relationships. At the same time, the Internet is raising the expectations of small companies' most valued business customers. If small firms hope to keep those customers, they need to meet those expectations.

SMALL BUSINESS TECHNOLOGY

Getting There Via Computer

By Lynn Woods

Michael and Susan Walker used to give their snack-food company's drivers handwritten directions for finding new customers' addresses. Not anymore. For over a year, the Walkers have used Street Atlas USA mapping software from DeLorme in Yarmouth, Maine, to print detailed maps that pinpoint the location of any new client.

The Walkers' company, Snack-Time, supplies more than 1,200 banks, law offices, and other small firms in the South Deerfield, Mass., area with cardboard trays of 100 snack items, delivered once a week. With three trucks, each making 45 to 50 stops a day, it's essential that the drivers don't waste time trying to find an unfamiliar location.

Using the CD-ROM mapping software "is a timesaver and a frustration saver," says Michael Walker. "We also use Street Atlas maps to show salespeople where to find new accounts by highlighting the locations of industrial parks, retail outlets, and other sources of new customers on the maps."

The Walkers are among the small-business owners who are saving time and money by using mapping software on their computers to locate customers and to quicken the pace of deliveries. High-magnification capability lets users look at any region in the United States in street-by-street detail.

Moreover, printouts from the leading products not only show maps but also have places to log important client information. And the letter-size maps are easier to use than unwieldy conventional road maps.

With a connection to the Internet, users can check the software makers' World Wide Web sites for updates on such things as road construction and weather reports.

Mapping-software products typically retail for \$40 to \$50 and are easy to use. Three of the most popular packages are Street Atlas USA, Expedia Streets 98



PHOTO: RICHARD HOWARD

At their snack-supplies firm in Massachusetts, Susan Walker, right, and Michael Walker use mapping software to make printouts that show delivery drivers such as Debbie Cloutier the locations of new customers.

from Microsoft Corp. in Redmond, Wash., and StreetFinder from Rand McNally in Skokie, Ill.

Each product lets you locate a business or residence on a map by typing in a street address or a ZIP code. You can zoom in and out on the map or pan over it in any compass direction by clicking the mouse.

Both DeLorme and Microsoft also offer software—available in deluxe versions of their mapping products or as add-ons—containing a nationwide directory of residential and business phone numbers. With these you can also locate addresses by typing in a phone number.

Following are descriptions of Street Atlas, Expedia Streets 98, and StreetFinder. All three include on-screen tutorials and are available in retail stores.

To use the products, you need a personal computer with a CD-ROM drive. To obtain updates via the Web, you need a modem and an Internet service provider. Once you own any of the products, you can buy yearly updates, usually at about half the price of the first version you purchased.

Mapping software enables firms to use computers for locating customers and speeding deliveries anywhere in the United States.

DeLorme's Street Atlas USA 5.0

Accuracy, ease of use, and competitive price—\$45—make Street Atlas popular with small-business owners. The latest version offers detailed maps and address-finding capability plus routing that features printed directions and a highlighted map. You can customize a route by, for example,

instructing the program not to use toll roads.

The colorful maps are easy to read and richly detailed, with different colors assigned to interstate highways, local highways, and smaller streets as well as to features such as parks, rivers, local landmarks, and even hiking and biking trails. There are 15 levels of magnification, as close in as one-tenth of a mile.



Lynn Woods is a free-lance writer in Kingston, N.Y.

Street Atlas lists more than 2 million businesses and points of interest, which can be selected by category on a given route. To get information on any of them, the user simply places the cursor over the symbol and clicks the right mouse button, which causes a small text box to appear.

The menu of icons at the top of the screen is fairly easy to decipher. There are some quirks, however. For example, when a street address in Kingston, N.Y., was typed in, the program mistook the street number for a ZIP code, even when the typed address included a ZIP code.

Sometimes the program failed to locate a particular street address. Michael Walker says he solves this problem by typing in the name of a cross street.

Westchester County Airport, outside New York City, was not listed by name when the "find places" function was used. Instead, it was listed under White Plains. And the

business listings are incomplete. At one location, gasoline stations on the main street were not indicated on the map, although a station on a side street was shown. A DeLorme spokesman says the company plans to improve the comprehensiveness of the listings in the 1999 edition.

Used in conjunction with DeLorme's Phone Search USA (\$29), a nationwide directory of more than 98 million residential and business listings, Street Atlas enables users to look up phone listings and locate the accompanying address on a map.

Microsoft's Expedia Streets 98

Streets 98, priced at \$49.95 (\$69.95 for the Deluxe Edition), is similar to Street Atlas, with one important difference: You can't print out a route from one point to another or print out directions.

Nonetheless, the program is an excellent address finder. Westchester County Airport,



for example, is listed under place names, so you don't have to know it's in White Plains to find it. Streets 98 also pinpointed an address that Street Atlas

could locate only by cross street.

Streets 98 is a little trickier to operate than Street Atlas. Some map symbols couldn't be identified even after a search of the help menu. And the printed maps are less detailed and less colorful than those in Street Atlas.

Streets 98 offers a more comprehensive points-of-interest database, however, including restaurants listed in the popular Zagat Survey series of city guides. After lo-

Maps That Tell You Where To Turn

The next time you take a trip, you may want to check out the latest mapping technology available at two rental-car companies. About 8,000 Hertz cars throughout the country and 1,000 Avis cars in Florida are equipped with in-vehicle global positioning system, or GPS, navigation, available for around \$6 extra per day.

A small antenna on the back of the car picks up a satellite signal that is fed into a computer, typically in the trunk. The computer puts the data on a small monitor next to the driver.

The monitor displays a map with the route to your destination and also issues audio instructions, eliminating the need to watch the monitor to know when to turn. Should you take a wrong turn, the system will give you an audio signal and reroute you automatically.

To test one of these systems, we recently rented a midsize car from Hertz at Westchester County Airport, in the New York City suburbs. To find the nearest automated teller machine, we highlighted the category by manipulating a button on the small monitor, chose "nearest" from the menu, scrolled through the listings of ATMs, and clicked.

We then chose "shortest time route" from the route menu and were on our way, prompted by two beeps and a command from a robotic-sounding voice to turn left.

The routing was accurate, although the voice occasionally was difficult to hear and its directions were confusing at times. The voice is supposed to prompt you two-

tenths of a mile before the maneuver, but it wasn't always clear which turn to take.

With a little practice, we discovered it was best to check a command by glancing down at the written instructions, a large directional arrow signaling an upcoming



Global positioning system navigation technology is now available in some rental cars.

turn, and a distance bar on the monitor, showing the miles or yards to the next maneuver.

The electronic map displayed on the monitor was almost impossible to decipher, however, and was also somewhat out-of-date. At one point, for example, the

voice commands obviously predated a new shopping mall.

(A spokesman for Navigation Technologies, a Sunnyvale, Calif., company that manufactures the mapping database used in guidance systems, says more-sophisticated versions of the system found in many rental cars are available in retail stores and as options on some new cars.)

In spite of a few drawbacks, the system worked amazingly well. Without resorting to a guidebook or map, we were able to get to the ATM, find a museum, locate restaurants, and return to the airport.

The system's ability to reroute us automatically when we made a wrong turn was a stress reliever, enabling us to relax in the knowledge that it was virtually impossible to get lost.

So far, Navigation Technologies has mapped the top 80 population centers in the United States, with a total of 100 scheduled to be completed by the end of the year. The company has compiled a list of 50 million points of interest, organized into 50 categories, including golf courses, ATMs, restaurants, and transportation hubs.

Within a few years, in-vehicle navigation systems will be able not only to route you to your destination but also to reroute your vehicle around traffic jams and road construction. What's required for this system is a cellular-phone link or a radio signal from a new type of lower-altitude "low aperture" satellites, which are in development.

The navigation systems are expanding to foreign markets. Hertz recently began renting navigation-equipped cars at the two Paris airports.

—Lynn Woods

SMALL BUSINESS TECHNOLOGY

cating an address, you can click on "find point of interest" and draw a circle on the screen to limit the selection to within a certain radius.

By placing the cursor over the symbol and clicking a mouse button, you get information about an attraction or city. For example, you can learn that Philadelphia's population is 1,524,249, that 15.2 percent of its residents are college-educated, that the median income is \$24,504, and that the median house value is \$49,400.

You can also place "pushpins" on points on the map by clicking the cursor and adding a text box for each containing information such as name of business and time of appointment.

If you have access to the Internet, you can link Streets 98 to Microsoft's online travel-booking service, Expedia, which has more than 16,000 listings for hotels, airlines, and car-rental locations.

The Deluxe Edition of Streets 98 includes an important extra feature—the ABI Yellow Pages USA. Its more than 25 million listings can be accessed by name, type of business, phone number, or address.

Rand McNally's StreetFinder 1998

Rand McNally's best-known software product is TripMaker, which is designed to

route and plan a trip and is aimed mainly at leisure travelers. Of more value to business travelers are the address-finding and routing capabilities of StreetFinder, available for \$24.95 (\$44.95 for the Deluxe Edition).

With both versions, you can instantly locate an address, city, intersection, ZIP code, area code, or attraction such as an airport or landmark building on a street-level map after typing in the information in a text box.



StreetFinder found a half-dozen addresses, including Westchester County Airport and the RCA Building in New York City, without a hitch. Except for some confusing icons in the lower-left corner, the mapping product is intuitive, with easily understood functions and concise maps.

A few features, such as walking guides and a customized map—which lets you tailor the map's appearance—seem superfluous, however.

StreetFinder also provides turn-by-turn directions, using an Internet link. You have to wait a moment for the software to dial up and get online, and directions are provided only in text form—unlike Street Atlas' routing, which doesn't require an Internet connection and provides a map in addition to text.

But StreetFinder's Internet connection vastly expands its usefulness for frequent business travelers, who can book hotels, airline flights, and other travel services online in addition to finding an address.

The Deluxe Edition includes a Concierge service for 100 U.S. cities enabling you to locate, for example, all the copy centers and courier services in downtown Los Angeles, not to mention hotels, computer-software stores, hospitals, banks, post offices, pharmacies, and florists. Links to related Web sites are provided under "city page online."

For Los Angeles, "city page online" listed Web sites for eight city guides and four weather services as well as ones for ticket-booking services, night life, transportation, tours, and news. Clicking on the "L.A. traffic report" brought up real-time information about congestion on the freeways.

Both versions of StreetFinder include airport maps and access to airport Web sites.

After New York's Kennedy Airport was located on a map, for example, double-clicking on "on-line information" called up details about ground transportation, parking (including the cost per day and maps showing the long-term and daily parking lots), airline terminals, and even flight schedules.

Besides the Concierge service, the Deluxe Edition includes the complete Mobil Travel Guide. By clicking on hotels, restaurants, and other symbols on the map, you can find out the Mobil rating, rates, credit cards accepted, and other useful information.

Locating addresses on a map and getting routed to destinations can also be done free at various Web sites. One is www.mapquest.com. Another is www.zip2.com. And city maps are provided by Yahoo! at www.yahoo.com. Each service features instant routing, with time and distance calculated; an address finder; and the ability to zoom in and out of a map.

The maps available with these services are inferior to those of the CD products in graphic quality, however, and can be hard to decipher, depending on the quality of your monitor.

Although none of the CD mapping products is perfect, their overall accuracy, comprehensiveness of detail, and speed will doubtless begin to attract more business users who need to locate an address in their town or across the country—and then find out the best way to get there. **18**

Got Employees?

Get PayClock!

It calculates hours automatically, eliminates paper time cards forever and interfaces directly to payroll, saving you countless hours every pay period. See for yourself how thousands of growing businesses are saving time and money with PayClock.

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WORKPLACE SECURITY

Keeping Would-Be Thieves At Bay

By Janine Latus Musick

Before choosing a security system for your firm, decide what you want to protect and how high-tech a deterrent you need.

Universal Gear in Washington, D.C., sells hip casual wear for young men. To deter shoplifting, owner David Franco aimed a security camera at the front door. But fleet-footed thieves who grabbed fashion statements and ran out had little or no fear of being stopped. Sure, shoplifters' pictures were being captured by the camera, but thefts and suspicious activities weren't being spotted in time for managers to take effective action.

So Franco installed a four-camera system that displays images from key locations throughout the store on split screens in the manager's office and the executive offices.

"I can see in real time what's happening on the floor," Franco says. "I'm looking for suspicious activity from potential shoplifters as well as at my staff's work performance."

Although Franco chose a closed-circuit television (CCTV) system to help deter theft at his store, a similar system might be too much or too little for other types of business. No security system is the perfect choice for every business.

The system that would be right for your company depends on the kind of business you run. A good lock might be enough if you're running an upholstery shop, but high-tech, controlled-access doorways and video surveillance might be necessary if you're a software developer.

Before investing in a security system, ask yourself what security threat you're trying to minimize. "Security has to be specifically tailored to the application," says Isaac Papier, manager of engineering services for Underwriters Laboratory, which, in conjunction with the insurance industry, has been rating security systems for more than 75 years. "The business owner needs to sit down and carefully think about what represents a threat."

Nationwide, shoplifting costs U.S. businesses an estimated \$30 billion a year, according to the Insurance Infor-

mation Institute in New York City. Even more staggering is the more than \$100 billion that researchers say is lost to embezzlement. The Association of Certified Fraud Examiners in Austin, Texas, says businesses lose closer to \$400 billion—or about \$9 a day per employee—when other forms of employee theft are included.

profits are bolstered as well when fewer hoagies and candy bars go out the door in employees' pockets.

In 1996, the latest year for which the Security Industry Association (SIA) has figures, sales of CCTV systems totaled more than \$758 million. Since then, the total probably has doubled, says Richard Chace, director of communications for the



PHOTO: DENNIS BRACK—BLACK STAR

Keeping an eye on the store via closed-circuit TV helps Washington, D.C., clothing retailer David Franco keep the goods from walking out the door.

In convenience stores, for example, about 80 percent of what's stolen goes home with employees, says Art Lunt, general manager for the 18-store Henny Penny chain in Connecticut. Each of his stores has at least three CCTV cameras; one catches the face of everyone who comes through the door, another is behind the cash register, and a third is aimed down the aisles to spot shoplifters.

In fact, convenience-store owners have found that the visibility of cameras and monitors appears to deter robberies and theft. Not only are the stores made safer by the installation of such systems but

SIA, based in Alexandria, Va. Likewise, sales of systems that limit people's access to particular rooms or buildings have jumped from \$1.5 billion in 1996 to a projected \$5 billion this year, he says.

A lot of that growth has come from insurance-industry demands that hotels make their guest rooms accessible by access cards rather than keys by 2000 in order to remain eligible for insurance. It's harder to break into a room with an electronic lock than one with a tumbler lock, Chace says.

Overall, U.S. businesses spent \$82.3 billion on security systems in 1996, according

WORKPLACE SECURITY

to the SIA. Following are the major types of systems chosen by companies to meet their particular security needs.

Closed-Circuit TV

"CCTV cameras have gone from being big and bulky to being fiber-optic lenses you could stick in the eye of a teddy bear," says Chace. "On average, they've gone from the size of a shoe box down to about the size of a bar of soap."

Do-it-yourself models are available, but most businesses hire a security-system contractor for purchase and installation.

Franco of Universal Gear uses a professionally installed system made by Ultrak, Inc., of Carrollton, Texas. The company also offers a do-it-yourself model, sold under the Exxis brand name at discount clubs nationwide. The systems cost as little as \$200 for a 12-inch monitor and one camera. Additional cameras and bigger monitors are available.

There are substantial differences, though, between a do-it-yourself model and one installed by professionals.

"A professional will be better able to understand the business owner's needs and translate those needs into the right product in the right place," says Jeff Blum, vice president for strategic development at Ultrak.

In addition, professionally installed systems have features not available on the discount-club model. These features "can be important or completely irrelevant" depending on the circumstances, Blum says.

For example, he explains, "at a grocery store, they might want a picture of everyone who comes in the door, so they position a camera on the glass entrance doors. But every morning the sun comes in and the do-it-yourself camera doesn't have backlight compensation, so the camera is useless for three hours every morning." With professional installation, however, the sunlight problem would be prevented.

Off-Site Monitoring

Systems with off-site video monitoring are available, allowing someone to watch your business from another location and to phone authorities if something looks amiss. Or a company's owner can tune in

from home to watch employees at work. The latest off-site monitoring equipment by Ultrak is plugged into a laptop computer and costs \$599.

With some of the newest combinations of alarms and CCTV systems, the pictures that cameras transmit to monitors are also transmitted automatically to a central station if the alarm goes off. The rest of the time, the pictures are transmitted only to monitors.

If you're trying to catch embezzlers, a

monitors where anyone can see them. Convenience stores, for example, often mount a monitor above the cash register so everyone knows they're being photographed. "It's all a way of communicating to people who come in there that they're being watched," says Spiegel.

Controlled Access

Some businesses that want to control who comes and goes are replacing door keys with codes, swipe cards, and even fingerprint and retinal readers, which provide more-sophisticated means of verifying the identification of individuals.

The newest identification cards keep track of which cards are on the premises so employees can't hand an ID card to someone else to use after they have entered. In addition, there are systems that serve as electronic time clocks by recording when employees using particular cards enter and leave the premises. Such systems cost from \$5 to \$25 per door.

Unlike keys, codes can be changed easily and identification cards can be deactivated to block former employees from entering the building.

Miros, Inc., based in Wellesley, Mass., manufactures a facial-recognition system that stores images of the faces of people who are allowed through a particular door, then compares the stored images with the faces of people who try to enter—all in about three seconds. If someone who is not authorized tries to enter, the computer saves the person's image so it can be examined later by a business owner or another authorized person.

Miros' systems start at about \$5,000 per door, but as the cost of digital cameras drops, so will the price of the image-scanner system, says David Greer, Miros' director of product management.

Time-Delayed Exits

In theory, it's a good feeling to slide a key-operated deadbolt lock into position and head for your car. In reality, a deadbolt lock on every door might be in violation of fire codes.

"You can't do something that could trap



Delayed-exit doors—such as this one made by Securitron Magnalock Corp. of Sparks, Nev.—sound an alarm and pause about 15 seconds before opening. They are used by institutions such as nursing homes and hospitals and by some retailers.

hidden system is best. But if you're trying to deter theft by employees or the public, make your system as obvious as possible, says Carl Spiegel, president of Alarm Security Protection Co. in Waterford, Conn., and president-elect of the National Burglar and Fire Alarm Association, a trade group based in Bethesda, Md.

Put the cameras in the open so that someone checking out the place for a holdup will see them. Put signs on doors and in windows to announce that cameras are in use.

Some stores and restaurants mount

somebody inside your store," Spiegel says. "Even if I'm a burglar who hid in the bathroom, if they find me dead by that back door [that won't open], you're in trouble."

That's why businesses install emergency exits that open without keys or magnetic cards. Because anyone can exit at any time, these doors typically are equipped with alarms.

In the past, those alarms didn't do much to stop determined grab-and-run thieves. Newer emergency exits have a small delay between the time the door bar is hit and the time the magnetic lock allows the door to open.

The systems were designed for museums, but retailers, hospitals, and nursing homes use them, keeping inventory and patients from going out the back door.

Arden Courts facilities, owned by ManorCare Health Services, based in Gaithersburg, Md., are homes for people who have Alzheimer's disease. ManorCare uses delayed-exit doors made by Securitron Magnalock Corp. of Sparks, Nev. If a resident pushes against the exit door, an alarm sounds, giving health-care personnel on the premises time to get to the door, which doesn't unlock for 15 seconds.

"This brief delay is sufficient for staff members to arrive at the door and assure the resident's safety," says Chris Davis, director of safety and loss prevention at ManorCare.

Alarm Monitoring

No matter which form of alarm system you choose, pay the extra money to have it monitored, experts advise. You're most likely to catch thieves and vandals—and to save money on your insurance—if someone somewhere responds quickly to an alarm.

Most security systems are connected to a monitoring service by a phone line. But phone lines can be cut by savvy thieves. Systems that transmit via radio waves or cellular telephone are more secure, though more expensive.

A basic alarm system can cost a couple of hundred dollars to purchase and install, plus about \$25 a month for monitoring, according to the SIA.

A cellular-transmission backup system will cost an additional \$700 to

\$1,500, Spiegel says, and an extra \$15 to \$20 a month for monitoring. Some insurance companies offer discounts that offset the additional cost of a cellular transmission system.

"The investment you make in a security system is a legitimate business expense that is tax-deductible and lowers your insurance premiums. Plus, there's the peace of mind."

—Charlie Nusbaum,
S.L. Nusbaum Insurance Agency

There are lots of whiz-bang systems out there designed to protect your business.

The SIA's World Wide Web site, at www.siaonline.org, and magazines such as *Security Sales*, *Security Dealer and Marketing*, and *Access Control and Security System Inte-*

gration can give you an idea of the range of products.

But before you buy anything, check with your insurance agent. Odds are that your carrier will have underwriting standards that specify the kind of security system that is best for your inventory and location.

Even businesses with virtually no inventory need to protect themselves. Accountants and lawyers, for example, have files that must be kept confidential. Technology companies have to protect the secrets connected with products under development.

And even the smallest graphics-design company can suffer if someone breaks in and steals its computers.

"What both you and your insurance company want to do is minimize your losses," says Spiegel.

Charlie Nusbaum, president of S.L. Nusbaum Insurance Agency in Norfolk, Va., says: "You have to ask yourself, 'If I invest in a security system, how long will it take me to earn back my savings from insurance?'"

"The investment you make in the security system is a legitimate business expense that is tax-deductible and lowers your insurance premiums," Nusbaum says. "Plus, there's the peace of mind you get when you put your head on the pillow at night that your security system is protecting the assets of your business. That's worth a lot."

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Janine Latus Musick is a free-lance writer in Columbia, Mo.

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MANAGING

A Very Able Work Force

By Sharon Nelton

Every small-business owner dreams of a work force made up of people who are loyal, perform at high levels, and show up on time every day.

Philip H. Kosak, president of Carolina Fine Snacks in Greensboro, N.C., found such a work force—but only when he was at wit's end. That was in 1985, when he went to a job fair sponsored by the local vocational-rehabilitation office and hired David, a young man with several disabilities.

David, recalls Kosak, was legally blind and had a learning disability. He was "severely obese," Kosak notes, and because David's job as a motel janitor was about to be terminated, he was thrilled about the prospect of working for Kosak's company.

Maintaining a reliable work force was a major challenge for Kosak's firm, a small manufacturer of snack foods. Not only was turnover high—the company had filed 204 W-2 forms for 26 positions in a year's time—but the firm was operating at only about 60 percent of its capability. "We had about 50 percent absenteeism and about 15 to 20 percent tardiness," says Kosak. When he hired David, he thought, "What do I have to lose?" He soon learned that this was the wrong attitude to take on hiring workers with disabilities. "What I didn't realize was what I was about to gain," he says.

David arrived at the plant early on his first day, eager to start work. Says Kosak: "He had a smile on his face; he was anxious to learn; he didn't want to go to break; he didn't want to go to lunch; he didn't want to go home at the end of the day."

David was put in charge of making sure that products loaded on the trucks matched the company's manifests, a job that Kosak says hadn't been done correctly in five years. But when David took over, Kosak says, "shipments were always right."

The new employee's attitude was contagious; some of the nondisabled employees



PHOTO: GUM STRATFORD—BLACK STAR

Hiring workers with disabilities proved to be a boon for Carolina Fine Snacks in Greensboro, N.C., says the firm's president, Philip H. Kosak, standing at left. With him are, from left, employees Doug Jacobs, Gloria Coleman, and William Lewis Walker.

began to improve their performance. Others quit because they "couldn't take it," Kosak says. And when they did, Kosak called the vocational-rehabilitation agency and asked it to send additional workers. Within about six months, he says, half of his nondisabled employees "had quit and been replaced with people with disabilities." Soon the plant was operating at 100 percent efficiency, attendance was good, and, Kosak says, "there was laughter out

Hiring people with disabilities can improve the quality, spirit, and productivity of your employees.

in the plant, [and there] continues to be."

Although the company is profitable, it has had some hard times, and its work force is down to eight, half of whom have disabilities. But Kosak says he never fired anyone. "Our employees were good enough that they were able to go out and find better jobs. And that just delighted me," he says. After some years at Carolina Fine Snacks, David took a more-skilled job in customer service with a grocery store.

Kosak's employees have had disabilities including schizophrenia, cerebral palsy, learning disorders, and visual and hearing impairments. Kosak pays them at the same rates he pays his other employees, and he says the workers with disabilities do "everything" from working on the production line to operating high-technology equipment.

The Biggest Obstacle

Kosak is rare among business owners. Not many are willing to hire workers with disabilities.

Fear is the biggest barrier, says Tony Coelho, chairman of the President's Committee on Employment of People with Disabilities (PCEPD). "It's really fear of the unknown," says Coelho, a former California congressman who has epilepsy.

While in the House of Representatives, Coelho was a driving force behind the Americans with Disabilities Act (ADA), signed into law in July 1990. The ADA prohibits businesses with 15 or more employees from discriminating against qualified individuals with disabilities in employment decisions. An employer must also make "reasonable accommodation" to help a person with a disability work unless it would cause "undue hardship." In addition, the law bars discrimination in public accommodations, requiring businesses, for example, to get rid of structural barriers to people with disabilities as long as such removal is "readily achievable."

Coelho says some potential employers harbor fears of being fined or sued if they don't do things just right. The best way to eliminate such fears, he says, is to just go ahead and hire people with disabilities. "You'll find out that a lot of those things that you're fearful of are not true."

The Same Rules For Everyone

Gina Lutz, a customer-service manager at Ottenberg's Bakery, a 200-employee company in Washington, D.C., has supervised as many as four employees with disabilities at a time. They come from the Green Door, a private agency that prepares people with mental illness to work and live independently.

"I have never treated them any different from any of my other employees, because I feel if we did, it would hinder their progress," says Lutz. "We hold them to the same rules and regulations we hold our other employees to. And they have turned out to be my best employees."

Only 29 percent of disabled people ages 18 through 64 work full time or part time, compared with 79 percent of the nondisabled population, according to a survey released recently by the National Organization on Disability (NOD) in Washington. Conducted by Louis Harris & Associates, the survey found that of the people with disabilities who are not working, 72 percent said they want to work. "Working-age adults with disabilities are no more likely to be employed today than they were a decade ago," says the report.

Alan A. Reich, president of NOD, says: "At a time when the U.S. unemployment rate is at a historic low and there is a crying need for workers, it is astounding to learn that the employment gap remains so wide."

The Cost Questions

A second major barrier to employment centers on business owners' concerns about the cost of accommodations required by law for employees with disabilities.

Coelho says accommodations are "nothing more than how you facilitate [an employee with a disability] to do a job." While General Motors might order a new desk to accommodate an employee in a wheelchair, he says, a small-business owner with limited resources can put some blocks of wood under an old desk to raise it and still comply with the law. The law says only that you have to accommodate a person "based on your economic ability," says Coelho.

According to a 1996 report of the PCEPD's Job Accommodation Network (JAN), the average expense for accommodating an employee with a disability is \$200. "Most of the time, when there is an accommodation needed, it's \$100 or less," says Patricia Veal, a human-resources placement specialist at the North Carolina Division of Vocational Rehabilitation, the agency that has provided Carolina Fine Snacks with employees with disabilities.

At a meeting of the PCEPD's Business Leadership Network (BLN) this year, Thomas J. Donohue, president and CEO

accommodations and the employability of people with disabilities. To speak with a JAN consultant, call 1-800-526-7234.

In addition, you can learn more about JAN on the PCEPD's World Wide Web site, at www.pcepd.gov. It has a section called Job Links, through which business owners can advertise job openings for people with disabilities. You can call the PCEPD at (202) 376-6200 (voice) or (202) 376-6205 (TDD), or write to 1331 F Street, N.W., Washington, D.C. 20004-1107.

Public and private vocational-rehabilitation agencies can be excellent resources.



PHOTO: DENNIS BRACK—BLACK STAR

An advocate for employing people with disabilities, former congressman Tony Coelho, left, talks at Ottenberg's Bakery with employee Renee McPherson and Lee Ottenberg, the company's president.

of the U.S. Chamber of Commerce, said: "I see in this population literally thousands of people who, with minor accommodations, can make major contributions in many key fields, like science, technology, and research." Donohue recently was named head of the BLN, a partnership of employers committed to hiring qualified job applicants with disabilities.

Small-business owners can get financial breaks and other assistance when they hire or accommodate people with disabilities. For example, according to the PCEPD, there are tax incentives including credits for expenses such as purchasing adaptive equipment or hiring qualified vocational-rehabilitation referrals. And some state or private agencies, such as Veal's office and the Green Door, offer on-the-job training for employees they refer.

Where To Begin

If you'd like to look into hiring people with disabilities, the best way to start is by contacting JAN, a confidential consulting service that provides information about job

Check for listings in the phone book or with your local chamber of commerce, social services department, or United Way.

NOD maintains a Web site at www.nod.org. You can write to the organization at 910 16th St., N.W., Suite 600, Washington, D.C. 20006 or call (202) 293-5960 (voice) or (202) 293-5968 (TDD).

The National Easter Seal Society Web site, which focuses on issues of independence for people with disabilities, is at www.seals.com. Or contact the organization at 230 W. Monroe St., Suite 1800, Chicago, Ill. 60606-4802, (312) 726-6200 (voice), or (312) 726-4258 (TDD).

Regardless of whether a job applicant has a disability, you have to find out what that person can do, says Coelho. He urges employers not to treat people with disabilities any differently from the way they treat others.

Kosak recalls the days before he discovered employees with disabilities. "They saved my sanity," he says, "and changed my perspective on life."

FINANCE

Funding Opportunity Opens To Women

By Sharon Nelton

Women running businesses are beginning to benefit from a financing market that many have long felt shut them out: venture capital.

And maybe they never really were shut out. Maybe they are just now becoming ready for the venture-capital game.

"I honestly don't think it's a gender thing. I do think that [venture capital] is not easy for anyone to get," says Marleen McDaniel, CEO of Women.com Networks, a San Mateo, Calif., network of World Wide Web sites with content for women.

Nevertheless, venture capitalists acknowledge that venture funding is becoming more accessible to women. McDaniel has raised more than \$40 million in venture funding in four rounds over the past four years.

"We're seeing more [women-led] or women-owned businesses getting funded than I think were being funded 10 years ago," says Marc Benson, general partner of Mid-Atlantic Venture Funds (MAVF).

Benson is in the Reston, Va., office of the Bethlehem, Pa.-based firm, which has invested in two women-led companies.

One is Faith Mountain Co., a Sperryville, Va., mail-order catalog company into which Mid-Atlantic has put \$1 million.

The other is womenCONNECT.com (WCC), a McLean, Va., company with an Internet site aimed at women professionals and business owners. MAVF has put \$750,000 into WCC, which can be found at www.womenconnect.com.

AVI Capital in Los Altos, Calif., has invested more than \$3.5 million in Women.com Networks (www.women.com). Barry Weinman, an AVI general partner, says that venture capital has always been available to women but that there hasn't been an "infrastructure" of women senior executives "ready to take on the next job

as being chief executive officer. It's a kind of long-range development program that you need to have. You have to understand what it's like to build a company."

What attracted AVI to Women.com Networks, Weinman says, was the presence of CEO McDaniel. "The first criterion is always management, and we're a big fan

An increasing number of female entrepreneurs are discovering that when it comes to capital, it's something ventured, something gained.

New York City-based iVillage.com, another Web-site company that targets women (at www.ivillage.com), has raised more than \$67 million in venture capital.

Again, a strong résumé makes her attractive to investors. She has been chief executive of Q2, a home-shopping channel for QVC Inc.; president of Time-Life Video



PHOTO: CLINDA SUE SCOTT

At Women.com Networks, which operates Internet sites that offer content for women, the quality of management—including the accomplishments of CEO Marleen McDaniel, center, and Ellen Pack, vice president for product development—helped persuade AVI Capital to invest more than \$3.5 million in the company, says Barry Weinman, an AVI general partner.

of Marleen's," he says. "She towers over most people out here in Silicon Valley because most people here are technologists but not managers."

Weinman says McDaniel is "a great manager." She is a former Ziff-Davis Publishing senior vice president and has helped launch several high-tech companies that are now industry giants, including Sun Microsystems.

McDaniel was hired to run Women.com Networks in 1994 by Ellen Pack, who founded the company six years ago and now is vice president of product development. The company has 75 employees.

Candice Carpenter, chief executive of

and Television, a subsidiary of Time Warner Inc.; and vice president of consumer marketing for American Express Co. She has an MBA from Harvard.

More than \$12 billion was invested in U.S. companies last year by venture-capital firms, according to surveys conducted by PricewaterhouseCoopers.

John Taylor, director of research for the National Venture Capital Association (NVCA), a trade organization based in Arlington, Va., says the NVCA plans to track the venture capital that goes to women- and minority-owned firms and hopes to

have solid information in about two years.

Patty Abramson, managing director of the Women's Growth Capital Fund in Washington, D.C., estimates that only about 2 percent of venture capital goes to women-owned businesses. The figure should be higher, she says, especially since, according to the U.S. Small Business Administration (SBA), women own

about 40 percent of U.S. businesses. "What we saw was that it was an untapped market niche," says Abramson, who with two partners founded the Women's Growth Capital Fund last year as a venture-capital fund exclusively for women-owned businesses. (Several other funds around the country, including Aurora Venture Partners in San Francisco and the Early Stage Alliance in Cincinnati, target women business owners.)

The Women's Growth Capital Fund has raised \$8.5 million from institutional and individual investors and in June became licensed by the SBA as a Small Business Investment Company. The SBA matches the private funds 2-to-1, which makes Women's Growth Capital about a \$25 million fund.

So far, it has invested in three companies: womenCONNECT.com, Women.com Networks, and Physician's Quality Care (PQC), a Waltham, Mass.-based firm that manages physicians' practices. Since the fund invested \$250,000 in PQC in June 1997, the company, founded by Jerilyn Asher, has raised \$100 million from other investment firms.

But Abramson has a larger vision than just funneling money to women-owned companies. She wants to open doors for women to traditional venture funds by co-investing with the traditional funds.

"The real issue here is that women don't

have the relationships inside the venture funds," says Abramson. "Our hope would be that, 10 years from now, you wouldn't need a fund like ours, that women would be seen by venture funds at the same rate as men were seen," she says.

Abramson wants to encourage women of means to include venture investing as part of their portfolios and to invest in women-owned businesses. Of her fund's 65 individual investors, she says, about 50 are women.

Getting venture capital takes a lot of work, and it begins with a good business plan. MAVF's Benson says his firm looks at about 1,000 business plans a year but funds only seven or eight companies. Venture capitalists look for top-notch management and market opportunity. Benson believed that he found both in WCC, founded and run by Susan Williams DeFife, who

had operated her own public-affairs consulting firm and had other executive experience. "We were very impressed with management's knowledge of their marketplace, commitment to their business, and prior successes," says Benson. At the same time, he and his partners at MAVF saw that the

Internet was "growing by leaps and bounds." They liked DeFife's approach of getting revenue in a combination of ways—through advertising, electronic commerce, and sponsorships of other organizations. Because venture capitalists are in a risky arena, they look for high returns on their investments. Out of 10 investments, says AVI Capital's Weinman, AVI needs "two or three really big winners" to cover for the two or three that will fail and the remaining companies that will provide small returns. "We need 10 times our money in five years" on the winning companies to compensate for the losing companies, he says.

To qualify for venture capital, says Benson, a company "needs to be a high-growth, high-profit business, with the potential for the venture capitalist to exit at a substantial multiple on his or her money." In order for a venture-capital firm to get its money out, a company may be acquired or go public, a factor that makes this form of financing unattractive to many entrepreneurs.

Venture capitalists view themselves as partners in the business, and they might expect a seat on the board of directors. Benson is a member of 11 boards, including those of Faith Mountain Co. and WCC. Abramson is also on the WCC board.

Venture capitalists add strength to a company's management. Abramson brings experience in running a marketing-communications firm to WCC's board, and Benson, the former CEO of a venture-backed company, says his firm brings financial and banking contacts and strategic-planning backgrounds.

"When you get the money in, [venture



PHOTO: T. MICHAEL KEZA

To tap a market niche, Patty Abramson and two partners last year founded a venture-capital fund for women-owned businesses.

Venturing Out On The Web

A number of World Wide Web sites on venture capital are so informative that they take the mystique out of this form of financing. Each of the following sites will lead you to other venture-capital firms or educational resources:

■ www.nvca.org, the site of the National Venture Capital Association, offers a useful primer on venture capital. At the site, you can order the association's directory of 260 members in a print version (\$75) or a much more comprehensive electronic version (\$275).

■ www.mavf.com, the site of Mid-Atlantic Venture Funds, a venture-capital firm in Bethlehem, Pa., offers articles

about venture capital, a list of the clients it has funded, guidance on preparing a business plan, and links to other useful Web sites.

■ www.vcapital.com/, a site called Venture Capital OnLine, is produced by Batterson Venture Partners, a Chicago venture-capital management firm. It includes interviews with entrepreneurs about their experiences getting funding.

■ www.womensgrowthcapital.com is the site of the Washington, D.C.-based Women's Growth Capital Fund, which targets women-owned businesses. The site includes a list of resources for women entrepreneurs.

FINANCE

capitalists] are your best allies, and they're the ones that have the experience to share with you that is tremendously helpful," says DeFife, who expects her company's revenues to reach \$2.5 million this year.

Some entrepreneurs shun venture capital because they don't want to give up any ownership or control of their companies. But DeFife expresses a different view: "I figure that 100 percent of nothing is nothing. To own 27 percent—which is what I own now—of a company that has the potential to be just enormously successful is very valuable to me." Moreover, she adds, without venture-capital funding, "we were not going to be able to compete."

If you want to explore venture capital, consider these suggestions from venture capitalists and from women who have succeeded in raising venture funding:

Determine if venture capital is right for you. "It's not the right answer for many companies," says Abramson. "Venture capitalists have expectations in terms of growth, they have expectations in terms of being heard, and they have expectations in terms of an exit. Venture capitalists are not looking to leave their money in. They're looking to get out."

Choose venture capitalists you can live with; you will be working with them for a long time. "It's almost as personal as finding a husband."

—Marleen McDaniel,
CEO, Women.com Networks

If you do not want to meet such growth expectations or go public, other forms of financing are more appropriate.

Look for a good fit. Pick people you can live with; you will be working with them for a long time.

"It's almost as personal as finding a husband," says McDaniel of Women.com Networks. Each side has to trust the other and be open and honest with each other, adds WCC's DeFife.

Explore the potential investor's philosophy. The management team, not the venture capitalist, should run the company, says Benson. "Our approach is always to try to be light-handed, constructive, supportive, and helpful where we can be helpful, and to make sure we're not in the way of success."

Be open and flexible. For example, says DeFife, when you're seeking funding and you keep hearing the same questions about your business plan, your plan isn't addressing the questions, so you need to revise it.

Do due diligence on venture capitalists just as they will do it on you and your business. Talk with the entrepreneurs they have funded. The venture capitalists can provide you with a list, and many put the lists on their Web sites.

Don't get discouraged. DeFife says she talked to more than 40 potential investors when she was trying to pull together her first round of funding. "You just have to keep going at it."

Don't let your feelings get hurt when you get turned down, McDaniel advises. How many times has she been declined? "Dozens. Dozens," she says. "Everyone is." She doesn't "even think twice about it," she says.

Understand your role as CEO. In the view of AVI Capital's Weinman, the role of a chief executive is to make sure that the company is well-funded so it can execute its plan. "Most women entrepreneurs who come and talk to us don't address that issue," he says. "They talk about their product or their market, but they don't focus on the fact that they're going to be able to make sure that the company is adequately resourced, and that's what they have to learn."

Perhaps unfairly, venture capitalists are often referred to as "vulture capitalists" because of the unsavory practices of some. But many venture capitalists care passionately about helping entrepreneurs expand their businesses.

If venture capital is the best choice for you and if your company meets the criteria, you can find the right venture partner for your business.

"Over the last year, I've been extremely encouraged by what I'm seeing," says DeFife. "It's not a matter of discrimination. It's a lack of awareness, it's a lack of access to the network, and it's a lack of education on the part of women entrepreneurs. All of those things can be overcome very easily."

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Family Business

The play's the thing on the education circuit; deciding how to treat the children.

OBSERVATIONS

'Wait Till Your Father Gets Home'

By Sharon Nelton



Does this cast of characters sound familiar? Jake and Sol Schwartz, twin brothers in a family business who are always at each other's throats; their father, Izzy, the patriarch, who owns the business; and Josie, a college-age granddaughter who observes that "parents aren't always the adults in the family."

How about the plot? Jake and Sol both want to run the company, Schwartz & Weiss Tools, after Izzy, who is 70, retires. The brothers expect to inherit the business but learn that their father expects them to buy it from him. Izzy throws his sons into a tizzy when he makes a surprising announcement: Four days earlier, he secretly married Sarah, the company's marketing director.

Then turmoil turns into utter chaos when Izzy has a heart attack and dies. There's other stuff—the threatened defection of a major customer, for example, and a banking relationship that grows shaky after Izzy's death.

These are the characters in and the story line of "Wait Till Your Father Gets Home," a three-act musical comedy by Ira Bryck and Erik Muten.

Bryck is director of the University of Massachusetts Family Business Center in Amherst; Muten, a psychologist who also has a master's degree in stage direction, runs his own consulting firm, Kailo Consulting in Northampton, Mass.

"Wait Till Your Father Gets Home" is making its way around the country; Bryck says he has 20 bookings for it at university-based family-business centers. You'll see it listed from time to time in this section's family-business calendar.

And it really is funny. I laughed throughout as I watched a preview videotape version that Bryck sent me. My favorite line? When one exasperated twin tells the other, "I can't believe I shared a womb with you!"

The play, performed by actors from a community theater, was taped before a live audience of business-owning fami-

lies. During group discussion between acts, one member of the audience observed that there was a lot of talking going on in the Schwartz family "but absolutely no communication." Another felt that Izzy was a bad role model because he used a management style that "diminished people."

It's clear that the audience is very engaged in the discussion—led by Bryck—and that they're having a good time.

This is not the first time Bryck has turned to drama as a family-business education tool. He also produced "The Perils of Pauline's Family Business," introduced two years ago and performed around the country 20 times.

Bryck calls the plays "interactive family-business dramatizations" and "living case studies."

When a traditional case-study approach is used, not everyone reads the case, and those who don't are unprepared for the discussion. But a drama, says Bryck, provides "a way for everybody to be exposed simultaneously to a story that has great emotional impact."

The UMass center offers panels and other programs, but Bryck says the plays "get a louder and longer-lasting conversation going than anything else we do."

The "table talk" that took place between the acts of the videotaped performance—that is, the conversation among playgoers at their tables preceding the groupwide discussion—"was relevant, and it was in-your-face," says Bryck. The play, he adds, "really stirred a lot of emotion among family members."

If "Wait Till Your Father Gets Home" is going to be playing at a family-business center in your neighborhood, run—don't walk—to see it. (Yes, I filched that line from a movie advertisement.) For more information, you can call Bryck at (413) 545-1537.

When you get a chance to see this show, follow the advice of its promotional material: "Relax—it's happening to someone else!"

MARK YOUR CALENDAR



Oct. 1, Prineville, Ore.

The "Succession Workshop" is one of a series of half-day meetings in Oregon and Washington. For additional dates and locations, call the Austin Family Business Program at Oregon State University; 1-800-859-7609.

Oct. 6, Weston, Mass.

"The Challenges of the Successor Child" is a roundtable that offers successors a chance to share with peers various concerns and frustrations. Call Annabella Gualdoni of the Smaller Business Association of New England at (781) 890-9070.

Oct. 7-10, Portland, Ore.

"Continuity and Change: Expanding the Possibilities" is the annual conference of the Family Firm Institute. Call (617) 789-4200.

Oct. 14, Greenville, S.C.

"Succession Planning in the Closely Held Family Business" is a program offered by the Upstate Family Business Forum. Call Jack Dickey at (864) 294-2155.

Oct. 14, Louisville, Ky.

"Succession Planning for Family Businesses" is a program sponsored by The Cambridge Institute, a Vienna, Va., management company, and others. To be repeated in Little Rock, Ark., on Oct. 21. Call Kim MacAdam at (703) 790-9595, Ext. 193.

Oct. 22, Wilmington, Del.

"Balancing Multiple Roles" is the topic of a seminar sponsored by the Family Business Advisory Council. Call Jill Lock at (302) 652-3480.

Oct. 27, Philadelphia

"The Family Business—A Whole New Ballgame" is a half-day seminar sponsored by the Delaware County Chamber of Commerce and the law firm of Fox, Rothschild, O'Brien & Frankel. Call Michelle Hengge at (610) 565-3677.

Oct. 29, Eau Claire, Wis.

The "Family Business Conference '98," sponsored by the University of Wisconsin-Eau Claire, concentrates on succession management. Call (715) 836-5509.

Suddenly, The Kids Are Interested

Edith and Charles Lake wanted to do the right thing for their successful company, Swallow Enterprises, a specialty bird feed business started by Edith's father in the 1950s. With two manufacturing plants and a national distribution network, the company grosses \$30 million a year and employs more than 150 people.

When Edith and Charles turned 60, they created a leadership-succession plan for Swallow. They worked with consultants, considered all options, and thought they had chosen well. Both of their children worked in the business, but because neither

was ready to take over or even showed an interest in doing so at the time, a nonfamily chief executive was brought on board.

That was four years ago, and, as Charles and Edith are learning, life changes. Now their children, who are in their middle 30s, are taking on more responsibility. They have earned advanced degrees, and one has even expressed an interest in taking

over top leadership in the years to come.

"Now what do we do?" asks Charles. "Do we put our children in competition with each other? They have always gotten along well. What about our CEO? He's 45 years old. He expects a good 20-year career with our company and is doing a fine job. How do we keep him happy and still help nurture our children to their full potential?"

Edith adds: "What about the rest of our management team? Morale has been good through a period of great growth. How do we prevent these changes in our children from altering the company's stability?"

Response 1

Observe Two Rules

Blessed with substantial growth, Swallow Enterprises should not tamper with its management. Nonetheless, Charles and Edith should convey to the nonfamily executives that deserving family members must be provided the opportunity to advance. To maintain morale, two basic principles must be observed:

■ To advance, the children must meet the same qualifications as any nonfamily employee.

■ The compensation structure for the children should be the same as that for nonfamily employees.

Criteria should be developed to measure the performance of the children. Membership on the board is an opportunity that should be available to a family member who performs well and demonstrates leadership qualities.

Ownership succession is a different story. Edith and Charles, with the help of estate-planning professionals, need to decide how to transfer their interest in the company to the children in the most tax-efficient way. For example, gift taxes might be minimized through minority and lack-of-marketability discounts in valuing business interests.

Additional discounts based on actuarial tables are available if the transfers are made to grantor-retained annuity trusts (GRATs) or grantor-retained unitrusts (GRUTs). Many other effective estate-

planning techniques might also be possible.

If ownership is to remain exclusively with the family, talented nonfamily managers might be asked to serve on the board. Incentives might be provided, such as deferred-compensation plans or "phantom" stock, which enables nonfamily employees to enjoy the financial rewards of growth without becoming owners.



ILLUSTRATION: TROY THOMAS

Response 2

Take Seven Steps

The first step in the process that will lead you to answers to your dilemma will be the development of a strategic plan for the business. You, your children, the nonfamily CEO, and other people in key leadership positions should be involved in this process so that everyone understands the foundation upon which the succession plans are based.

Once the strategic plan has been developed, take these steps:

1. Determine if the strategic needs of the business are consistent with the needs and desires of the family.
2. If you believe that it is in the best interest of the business to keep the current CEO, which it may very well be, communicate this belief to your children.
3. Based on your strategic plan, determine what future leadership positions will be needed.
4. Develop job descriptions and criteria for these positions.
5. Assess the abilities and desires of your children.
6. Determine if there is a good fit between one or both of your children and the future leadership needs of the business.
7. If appropriate, design a leadership-development plan for each child.

Good planning, communication, and the involvement of your children throughout this process will help them understand that decisions must be based on the needs of the business, with careful consideration of their abilities and desires.

Hindsight is 20/20. It might have been better to hire an experienced interim CEO in his early 60s to serve as a mentor to your children until they knew and you knew of their hopes and abilities.



Jeffrey A. Galant, a New York City tax attorney who advises family-business owners on tax, succession, and estate-planning matters.



Joyce Brockhaus, president of The Brockhaus Group, a St. Louis firm that provides counseling and strategic planning to family businesses.

This series presents actual family-business dilemmas, commented on by members of the Family Firm Institute and edited by Paul I. Karofsky, executive director of the Northeastern University Center for Family Business in Dedham, Mass. Identities are changed to protect family privacy. The authors' opinions do not necessarily reflect the views of the institute. Copyright © by the Family Firm Institute, Boston. You can comment on this case study on the World Wide Web at www.ffi.org/forums.html.



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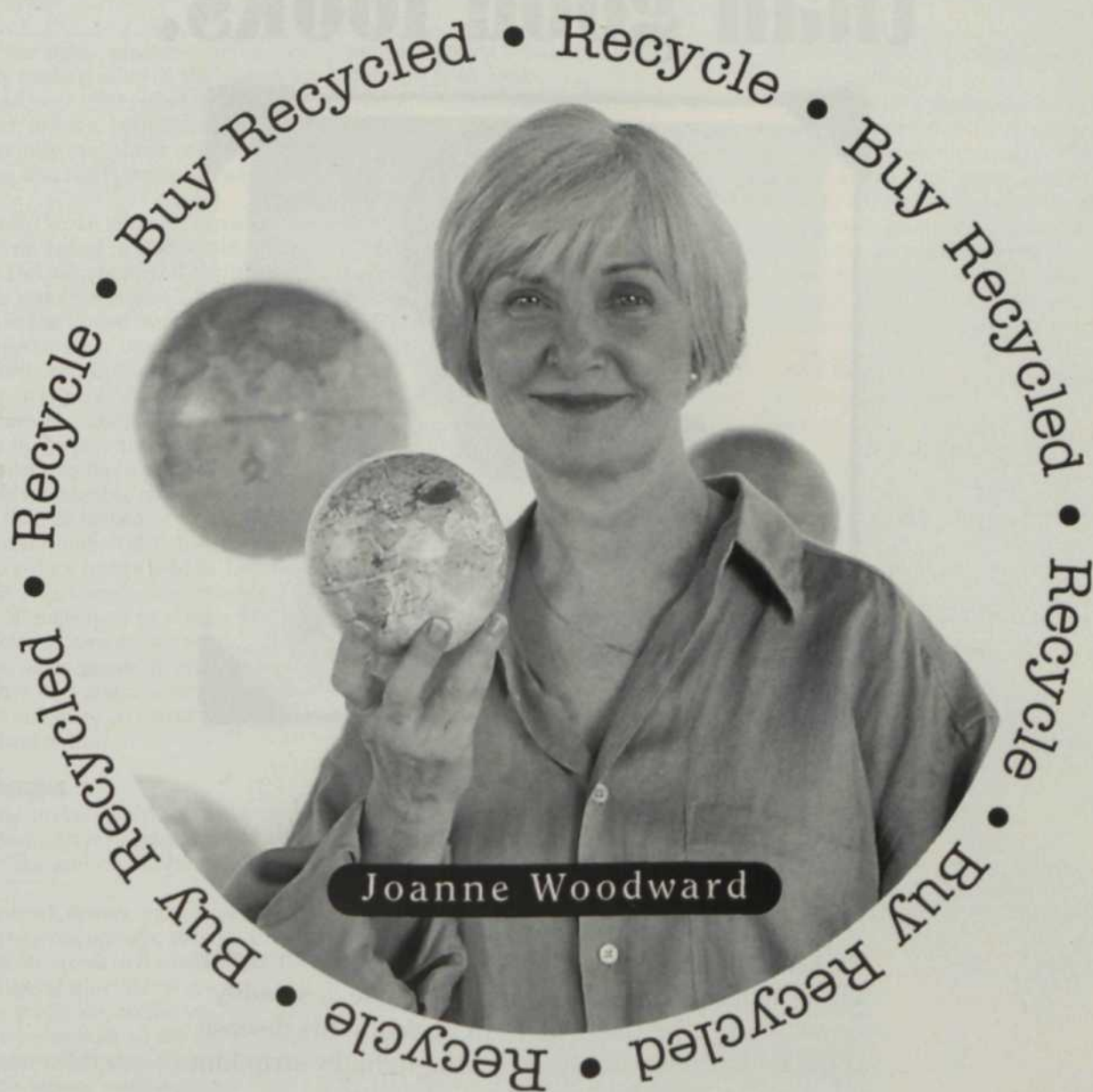
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1999 Trucks Hit The Road

By Julie Candler

The new light-, medium-, and heavy-duty trucks coming on the market for model year 1999 reflect the wishes of truck drivers, both those who drive commercially and those who use their trucks as practical personal transportation.

The Polk Co., an automotive market-research firm based in Southfield, Mich., outside Detroit, reported in July that there are now 68.4 million light trucks on the road in the United States and Canada, accounting for more than one-third of the total vehicle count. The company, which compiles an annual "population profile" of vehicles for the automobile industry, also said that in the past 10 years, the number of passenger cars has increased by 4.8 million while the number of trucks has risen by more than 29 million.

The total number of light-, medium-, and heavy-duty trucks sold in 1997 was 7.2 million. This year's sales through July were at 4.6 million, so total sales for 1998 are expected to surpass last year's.

With so many people driving trucks, it's no surprise that manufacturers are relying more and more on driver input in the development of trucks.

Mixed Messages

According to *Automotive News*, a trade publication, drivers want trucks to be more carlike and cars to be more trucklike.

Pickup-truck drivers want more comfort and convenience options, extended cabs, and doors for access to the cabs. Buyers of sport-utility vehicles (SUVs) are indicating that they prefer the carlike ride and handling of vehicles built on the smaller platform of a car rather than that of a truck.

Minivan buyers want a second sliding door on the driver's side, and manufacturers are complying. However, because nearly all minivans in production have front-wheel drive, many businesses that once preferred rear-wheel-drive minivans because of their cargo-carrying ability are now opting for SUVs instead.

In 1997, 6.8 million light trucks—including pickups, vans, and SUVs—

were sold in the United States, up nearly 4 percent from 1996.

Sales of light trucks will continue to increase, says Lincoln Merrihew, an analyst at the Troy, Mich., location of J.D. Power and Associates, a marketing-information and consulting firm based in Agoura Hills, Calif.

Merrihew believes that the addition of carlike comforts, ride, and handling to light trucks has been an important factor in their sales growth.

Getting "Productive Miles"

In the medium- and heavy-duty-truck market, productivity is the key for buyers. They want trucks that reduce downtime by minimizing maintenance requirements and that are custom-tailored to handle specific tasks. "Productive miles is what original-equipment manufacturers are selling," says Marc Gustafson, president and CEO of Volvo Trucks North America, Inc.

Truck makers have been consulting commercial drivers about features that could help the drivers avoid fatigue and stress and do their jobs as efficiently as possible.

Two recently developed transmissions that can help reduce driver fatigue and training time are the Eaton Fuller AutoShift 10-Speed, from Eaton Corp. in Cleveland, and the

With the new model year arriving, small-truck makers are fulfilling buyers' wishes for carlike comforts, and large-truck makers are racing to catch up with demand.

Meritor SureShift, from Meritor Automotive, Inc., in Troy.

With the Eaton transmission, the clutch is used only for starting or stopping, reducing the driver's workload. When the driver wants more control of shifting, there is a "hold" mode, which maintains the current gear until a new gear is selected with the push of a button.

The Meritor system reduces shifting effort and complexity like an automated transmission but retains the driver's ability to choose manual control.

As with light-duty trucks, the ranks of medium- and heavy-duty trucks are increasing. Major truck-manufacturing companies are forecasting that U.S. sales of Class 8 vehicles—those with a gross vehicle weight (GVW) of more than 33,000 pounds—will total 200,000 for 1998. Last year's sales were about 178,500.

With growing backlogs of orders, heavy-duty-truck makers are trying to increase production to meet strong demand.

The Outlook On Prices

Prices for light trucks are expected to remain steady, although manufacturers sometimes increase prices during the model year.

The announced prices for most new-model light-duty 1999 trucks are only 0.5



Owner-operators and fleet purchasers had input in the development of new models of Mack's CH Series trucks.

TRANSPORTATION

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to 1 percent higher than the prices for comparable 1998 models, and some prices have dropped.

In addition, competition recently has prompted makers of passenger cars to offer incentives such as low finance rates and cash rebates, and such offers are spilling over into the light-duty-truck market.

In the medium- and heavy-duty-truck segment, manufacturers are calling for price increases to offset the bare-bones prices of recent years.

Light-Duty Trucks

Following are new trucks and features in Class 1, up to 6,000 pounds GVW; Class 2, 6,001 to 10,000 pounds; and Class 3, 10,001 to 14,000 pounds.

ACURA

The upscale SLX sport-utility is essentially unchanged for 1999. It has a 3.5-liter V-6 engine and "torque on demand"



Acura SLX



AM General Hummer



Cadillac Escalade

four-wheel-drive, which transfers power to all four wheels with the touch of a button.

AM GENERAL

The Hummer civilian truck, with full-time four-wheel drive, resembles a big, wide SUV. Actually, it's a Class 3 pickup truck, modified from the stalwart of the U.S. armed forces in the Persian Gulf War, the Humvee.

The Hummer's upgrades include a premium audio system with six speakers. The Hummer's ride has been made quieter with the addition of a sound-deadening package.

CADILLAC

The Escalade, Cadillac's first entry in the SUV market, borrows from GMC's upscale, full-size Yukon Denali. The five-passenger Escalade is so loaded with features that it offers no options.

Among the features: running boards to shorten the step-in and step-out distance; a flush-mounted luggage rack; leather seats; a Bose music system with six speakers; and the OnStar communications system, which combines cellular-phone and Global Positioning System satellite technologies to provide a range of services, from finding a lost vehicle to calling for help automatically in case of an accident.

A 5.7-liter V-8 provides plenty of power, and extra pulling power comes from an AutoTrac four-wheel-drive system. There's a full-time all-wheel-drive setting for everyday use.

CHEVROLET

One of the most expensive new-model programs in GM's history brings to market a conservatively styled, full-sized Silverado pickup and its GMC cousin, the Sierra. GM says that the wider, longer, and taller dimensions, with more rear-seat legroom, add up to the biggest cab in the industry. A third door is standard on extended-cab models.

There's a long list of standard-equipment improvements, including four-wheel disc brakes with an anti-lock braking system and a system that senses minute changes in wheel speed under braking and adjusts the rear brake accordingly.



Chevrolet Silverado



Dodge Dakota R/T



Ford Super Duty F-Series

In the power department, the Silverado's engines range from a standard 4.3-liter V-6 to a 6.5-liter turbodiesel V-8. In between are three new Vortec small-block, cast-iron V-8 gas engines that produce more horsepower per liter than the engines they replace. The four-speed automatic transmission has a tow/haul mode, which alters the shift pattern to maximize pulling power in each gear.

Regular and extended cabs are offered, in six models of the 1500 (¾-ton) series and three of the 2500 (1-ton) series.

Chevrolet introduces an all-new Tracker mini-SUV, with a new look. For more information, see the Suzuki listing, where the Vitara—a twin to the Tracker—is described.

CHRYSLER

The luxurious Town and Country minivan gets even more elegant with a Limited edition featuring chrome-plated wheels and door handles, a gold-accented instrument cluster, radio controls on the steering

Ford F-Series Medium-Duty.

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wheel, and soft leather seats with suede-like trim. The Town and Country has front-wheel drive; all-wheel drive is an option.

DODGE

The Dakota, the only compact pickup with a V-8 engine, has two Magnum V-8 choices: a 230-horsepower, 5.2-liter version and a 250-horsepower, 5.9-liter option on the R/T model.

The full-size Dodge Ram pickup has a 24-valve, six-cylinder Cummins diesel engine. On the model with a five-speed manual transmission, power is up from 215 horsepower to 235.

A 5.2-liter V-8 engine that runs on compressed natural gas has been introduced, for fleets only, on the full-sized Ram van and wagon.

FORD

The power, size, and capabilities of Ford's work-truck lineup have been increased with the introduction of the Super Duty F-

Series. The full-sized trucks are built on a separate platform from the F-150 and F-250.

The two-platform strategy is designed to address the different needs of the commercial and personal-use markets. The new series extends to the F-250, F-350, F-450, and F-550 models. Length has been stretched by 9 inches to 226.6 inches, and the Super Duty F-250 and F-350 have the industry's first standard four-door extended cab in the GVW segment over 8,500 pounds.

The Super Duty trucks offer four-wheel drive for dual-rear-wheel trucks, higher GVW ratings, and increased horsepower. They feature new 5.4-liter Triton V-8 and 6.8-liter Triton V-10 engines and an inter-cooled 7.3-liter diesel engine.

Customers will have the choice of 44 vehicle configurations, including F-550 models whose GVWs—17,500 and 19,000 pounds—place them in Class 5.

The pickups under 8,500 pounds GVW, the F-150 and F-250, get a new front bumper and grille and an optional 5.4-liter Triton V-8 engine. Their SuperCab gets a standard fourth door, making Ford the first manufacturer to offer a full range of extended-cab pickups with four doors, from the compact Ranger to the Super Duty series.

GMC

The all-new Sierra full-sized pickup truck is a close cousin to the Chevrolet Silverado. Except for the Sierra's bigger grille, the vehicles are identical.

HONDA

Emphasis is on size as a new Accord-based edition of the Odyssey minivan hits the market this fall. The sleekly styled seven-passenger vehicle is 201.2 inches long and 68.5 inches high, making it as large as any competitor. Honda says the Odyssey's 3.6-liter, 220-horsepower V-6 engine is the most powerful in the minivan class. It's combined with an electronically controlled four-speed automatic transmission.

INFINITI

A face-lifted QX4 sport-utility is planned for midway through the



Land Rover Discovery Series II



Mazda B-Series Cab Plus 4



Mercedes-Benz ML430



Isuzu Amigo



Jeep Grand Cherokee Laredo



Kia Sportage

model year. No major changes are planned before then in the compact, five-passenger QX4, which has four-wheel drive with a two-wheel-drive mode.

ISUZU

The Vehi-Cross, an SUV based on a truck platform but resembling a sports car, formerly was sold only in Japan, but it is expected in the United States soon. It has full-time four-wheel drive and a front-mounted engine, a 3.5-liter, 24-valve V-6.

The Rodeo SUV has added amenities such as a standard tilt steering wheel. The Amigo mini-SUV—recently returned to the U.S. market—is a two-door hardtop or soft-top version of the Rodeo.

JEEP

The new Grand Cherokee has gained an inch of headroom and 1.5 inches of width for improved roominess. The five-passenger SUV has new luxury amenities, such as heated front seats and an overhead console with 14 programmable features. A

**SPECIAL
REPORT**

new on-demand four-wheel-drive system, called Quadra-Drive II, allows virtually 100 percent transfer of torque to a single wheel if it is the only one getting traction. A standard 4-liter, six-cylinder in-line engine produces up to 195 horsepower. The largest available engine is an optional 4.7-liter, 230-horsepower V-8.

KIA

The two-door convertible Sportage is a smaller, more maneuverable version of the four-door model of the SUV. A removable cloth top covers only the rear bench seat; a permanent hardtop roof covers the driver and front-seat passenger. The Sportage is available with two-wheel drive and automatic transmission or four-wheel drive with a five-speed manual transmission.

LAND ROVER

The new Discovery Series II has permanent four-wheel drive and a standard four-speed automatic transmission. Longer by 6.5 inches and wider by 3.8 inches,

the Discovery Series II has seating for seven as an option. It has a system that reduces leaning when cornering—a first for a production SUV. Other features include four-wheel electronic traction control and electronic brake distribution to complement the anti-lock braking system. The 4-liter V-8 engine is noticeably quieter than its predecessor.

LEXUS

There are no changes for the RX 300, which Lexus calls a blend of luxury and sport-utility (it's built on a car chassis). The full-size LX 470 sport-utility, introduced in late 1997 along with the RX 300, also is a carryover for 1999.

LINCOLN

The successful Navigator sport-utility, introduced in model year 1998, has boosted performance with a standard 5.4-liter, 32-valve V-8 with 300 horsepower. An optional adjustable pedal system allows drivers to shift the accelerator and brake pedals forward or back to suit them. A roller-wheel system has been added to the third-row bench seat for easy installation and removal.

MAZDA

The first import pickup with a four-door cab is the B-Series Cab Plus 4, which went on sale as 1998½ models in late spring. The rear can be opened only when the front doors are open. Cab Plus 4 is available as an option on B-series trucks with the SE trim level. There are three models, powered by a 2.5-liter, four-cylinder engine, a 3-liter V-6, or a 4-liter V-6.

MERCEDES-BENZ

There's a new, more powerful model of the M-Class sport-utility: the ML430, powered by a 268-horsepower, 4.3-liter V-8. The ML430 is distinguished from the earlier ML320 by its standard 17-inch alloy wheels, body-color bumpers, side panels, and side molding.

Heated, leather power seats and wood trim are standard, along with a stability system that helps the driver maintain the direction of the vehicle even under hazardous circumstances.



Suzuki Grand Vitara



Toyota Tundra



Bering HD270

MERCURY

The redesigned Villager minivan has been lengthened by 4.8 inches, and there's a standard second rear sliding door on the driver's side. The interior is roomier, with seven-passenger seating standard.

Under the hood, the Villager's V-6 engine has been increased in size to 3.3 liters from 3 liters and in horsepower to 170 from 151. The climate-control and audio systems are new. And for people who get brainstorming while driving, there's an optional Travelnote digital memo recorder mounted on the driver's sun visor.

The Mountaineer sport-utility has added optional side air bags in the front seats and an optional rear load-leveling system. An optional sensing system detects obstacles up to 6 feet from the rear bumper when backing up and beeps to alert the driver.

MINI

The Montero Sport, a midsize SUV, has a new Limited model with a 3.5-liter, 24-



Mitsubishi Montero Sport Limited



Nissan Frontier



Oldsmobile Bravada

TRANSPORTATION

SPECIAL
REPORT

valve V-6 engine, a new chrome grille, and a front bumper with fog lamps. New standard features include alloy wheels; cruise control; integrated side steps; and power windows, door locks, and mirrors.

NISSAN

The Quest minivan, like its Mercury Villager cousin, has many new features, including a standard driver's-side rear sliding door. The Frontier compact pickup has a new 170-horsepower, 3.3-liter V-6 engine, available on four-wheel-drive, extended-cab models. There's a choice of a standard five-speed manual transmission or a four-speed automatic transmission.

OLDSMOBILE

Refinements on the five-passenger Bravada sport-utility begin with an air-bag design that permits a clearer view of the instrument panel in any steering-wheel position. The turn-signal stalk has a headlamp "flash to pass" feature, and there is a warning lamp in the instrument

cluster that alerts the driver when the tailgate is ajar.

PONTIAC

The Trans Sport minivan has adopted a name with a sport-utility flavor, the Montana. An optional performance and handling package includes traction control, automatic load-leveling control, and a sport suspension.

SUZUKI

Chevrolet's Japanese partner has redesigned its Sidekick and X-90 models from the ground up and renamed the mini-SUV the Vitara. It's available as a four-door or as a sporty, two-door convertible. The Vitara has about 25 percent more power than its predecessor, with a 127-horsepower, 2-liter, 16-valve, four-cylinder engine, which is standard on the four-door model and optional on the two-door convertible.

A 155-horsepower V-6 version, not yet available on Chevy's Tracker, is called the Grand Vitara, available only as a four-door.

TOYOTA

A new full-size pickup, the Tundra, will go on sale in May. It will feature a chassis that is larger and stronger than that of the T100, which has been dropped. The Tundra's 4.7-liter engine is the first double-overhead-cam, 32-valve V-8 ever offered in this segment. Maximum payload is nearly a ton, and towing capacity is 7,200 pounds. The truck will be offered in two- or four-wheel drive and either a two-door regular cab with an 8-foot bed or a four-door Access Cab with a 6½-foot bed.

Medium- And Heavy-Duty Trucks

Following are new trucks and features in Class 4, 14,001 to 16,000 pounds GVW; Class 5, 16,001 pounds to 19,500 pounds; Class 6, 19,501 to 26,000 pounds; Class 7, 26,001 to 33,000 pounds; and Class 8, more than 33,000 pounds.

BERING

Bering Truck Corp., the first new U.S. truck company in decades, will produce cab-over trucks (the engine is beneath the cab instead of under



Navistar International Eagle 9900



Peterbilt Model 379



Sterling Cargo



Freightliner Argosy



Hino FB



Kenworth Studio AeroCab

a projecting hood) in Classes 3 through 8 that combine U.S.-made powertrains and components such as clutches, axles, and transmissions with chassis and cab-over-engine technology from the company's South Korean partner, Hyundai. Initially, all trucks will be built in South Korea, but Bering plans to manufacture Class 7 and Class 8 trucks at a plant being built near the company's headquarters in Front Royal, Va.

The company will introduce 13 models in the cargo/delivery, tractor, and vocational categories. They will debut at intervals, beginning with Class 5 cargo trucks and Class 8 day-cab tractors on Oct. 1.

FREIGHTLINER

The Argosy, a cab-over tractor, has added up to 20 percent more cargo space yet is 2 feet shorter than most tractor-trailer combinations. The 90,000-pound-GVW Argosy, which has replaced the FLB, has a tight turning radius and improved visibility.

On the Century Class sleepers, an

SPECIAL
REPORT

option called Backpack increases storage space by anywhere from 16.6 to 27 cubic feet, depending on the size of the cab. Backpack, located against the back sleeper wall, concentrates storage behind the bunk between the mufflers.

Freightliner debuts a premium interior package, called Chaparral, for its Classic and Classic XL trucks, which are popular with independent owners.

GMC

The W-series lineup of medium-duty, low-cab-forward trucks—marketed under both the GMC and Chevrolet nameplates—has been expanded with a new W5500 diesel in Class 5.

A Vortec 7400 MD gas engine, at 210 or 270 horsepower, is new for the T-series of medium-duty, tilt-cab trucks and the conventional C-series trucks.

HINO

The horsepower of the diesel engines on the Hino FA and FB medium-duty trucks

has been increased slightly, to 168 from 165. On the heavier models—the FD, FE, FF, and SG—computer-controlled anti-lock brake systems have been added.

ISUZU

The Class 5 NQR joins Isuzu's line of low-cab-forward, medium-duty trucks. Designed for low overall cost and heavy-duty tasks such as refrigeration, delivery, and construction, the NQR has a GVW of 16,500 pounds and a body/payload capability of about 10,500 pounds. Power comes from a new Isuzu 4.8-liter diesel rated at 175 horsepower.

Also new are two heavy-duty versions of the popular NPR line of urban delivery trucks.

KENWORTH

The CityCab is a new Class 8 truck designed as an economical day cab for regional delivery operations. It is offered in single and tandem configurations, powered by Caterpillar C10 and C12 engines with up to 430 horsepower.

The Studio AeroCab sleeper is available as an option on the W900B and W900L models. It provides ample storage and living space.

MACK

A new cast-iron axle that is stronger, lighter, and able to carry more payload has been added for the vocational-truck market. The axle reduces chassis weight by 87 pounds and increases payload capability substantially.

MITSUBISHI FUSO

The FG, technically a Class 3, is the only four-wheel-drive, cab-over truck in the United States. It can handle payloads up to 12,000 pounds and can be fitted with various bodies up to 14 feet long. The FG is available in wheelbases of 109.4 inches and 133.1 inches.

NAVISTAR

The premium International Eagle 9900, developed with input from 100 owner-operators and drivers, will be available in early 1999. The flagship of the International line sports the long-nose design that truckers say they like, plus a smooth ride. It features a wider chrome grille, headlights set in chrome, and a full-width, bright-finish bumper.

PETERBILT

A premium cab interior, called Canadian/American Class Platinum, offers a more contemporary design and increased comfort. Increased insulation and padding create a rich appearance and reduce noise in the cab and sleeper. The Platinum interior can be ordered through Peterbilt's SmartSpec system of component specification, which makes available more than 200 customized packages and simplifies the ordering process.

STERLING

Sterling Truck Corp. takes over Ford's medium- and heavy-duty-truck operation, which was bought last year by Sterling's parent company, Freightliner. The former Louisville becomes the L-line, while the Ford Aeromax becomes the A-line. Sterling is focusing on high-end, high-tech, vocationally oriented trucks in Classes 6 through 8.

Sterling now produces the Cargo, formerly marketed by Ford. The Class 7 and Class 8 vehicles provide excellent visibility and maneuverability. The low-cab-forward trucks and tractors are shorter in overall length than similar conventional combinations, and they have a low cab-to-ground height.

UD TRUCKS

Three new models have expanded the UD line of cab-over trucks to 10, ranging from Class 3 to Class 7. The new UD1200 is a Class 3 powered by a 145-horsepower, turbocharged diesel. It's available with a manual or an automatic transmission and in three wheelbases.

The new UD1800CS is a hybrid, intended to combine the payload capacity and performance of a Class 5 (its GVW is 17,995 pounds) with the economy of a Class 4. Its turbocharged diesel engine is rated at 175 horsepower.

VOLVO

The Class 8 VNM Series offers a choice of two full-sized sleeper cabs in a smaller package—113 inches from the bumper to the back of the cab. The VNMs combine compact design and maneuverability with comfort and luxury.

The VNM 610 offers a 61-inch-deep sleeper compartment with 77 inches of stand-up height and an optional upper bunk.

WESTERN STAR

The Star Light Sleeper weighs 400 pounds less than comparable Western Star models because it is constructed of panels of plastic honeycomb sandwiched between lightweight aluminum. New Western Star cab models feature roomier interiors and swivel seats.



UD1800CS



Volvo VNM



Western Star Constellation 4964 EX

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Trade Issues

The U.S. government doesn't do enough to promote exports of American-made goods, according to a majority of the respondents to the Where I Stand poll in the August issue. And nearly two out of five respondents said the country places too many restrictions on exports.

Here are the poll's complete results:

Questions And Answers

Do you think the federal government does enough to promote exports?

Yes 38% No 62%

Should the United States impose unilateral trade sanctions on other countries to force changes in those nations' domestic policies, even if our competitors don't follow suit?

Yes 25% No 30%
It depends on the countries and the policies . . . 45%

Do you think the United States places too many restrictions on its exports?

Yes 39% No 29%
Unsure 32%

Should U.S. trade agreements with other countries include issues other than trade matters, such as labor and environmental issues?

Yes 48% No 52%

Should there be any restrictions on the kinds of imported products that can be sold in this country?

Yes 43% No 16%
Maybe, in some cases 41%

Do you import or export any goods or services?

Export only 14%
Import only 9%
Export and import 19%
No 58%

If you do not export, why not?

I don't believe I need
foreign markets to grow 5%
My product or service is not
exportable (e.g., retail store) 35%
I'm concerned about costs versus profits 2%
It's too complicated 9%
Not applicable 49%



On The EPA

Under the U.S. Environmental Protection Agency's policy called "environmental justice," regulators must consider civil-rights implications in deciding whether to permit industrial plants to operate in particular locations. (See the Cover Story, Page 12.) These questions seek your views on this issue.

Results of this poll will be published in the December issue of *Nation's Business* and will be forwarded to administration officials and congressional leaders. Send the attached, postage-paid Reader Response Card. Or circle your answers and fax this page to (202) 463-5636. To respond via the Internet, click on "Poll" at www.nbmag.com.

1

Do you think that EPA policies hinder economic development and job creation?

1. Always
2. Sometimes
3. Never

4

Should plants that have received EPA permits be required to offer a certain number of their jobs to local residents?

1. Yes
2. No
3. No opinion

2

Should regulators be allowed to deny operating permits to a business if a few citizens living near it object?

1. Yes
2. No
3. No opinion

5

Should the EPA be authorized to determine which businesses should be allowed to locate in a particular area?

1. Yes
2. No
3. No opinion

3

Do you think there is intentional discrimination against minorities in the selection of sites for industrial plants?

1. Yes
2. No
3. No opinion

6

Should residents near historically industrial areas be allowed to sue in federal court to bar permits for facilities if they think they bear a disproportionate share of pollution?

1. Yes
2. No
3. No opinion

Send Your Response Today!

Free-Spirited Enterprise

By Michael Barrier

Bucking Starbucks

Starbucks Coffee Co., the powerhouse chain of specialty coffee stores, has only one store so far in New Orleans, in the lobby of the Sheraton Hotel on Canal Street.

"I know that lobby well," says Bryan K. O'Rourke. "I go there once a week and sit and watch. I'm their dutiful student, because I know that everything they've done, they've spent millions of dollars figuring out."

O'Rourke is president and CEO of a 20-year-old, New Orleans-based coffee company, PJ's USA, Inc., that is just a tad smaller than Starbucks. PJ's has 21 stores in the South, versus more than 1,500 nationwide for the Seattle-based giant. (PJ's takes its name from Phyllis Jordan, the founder, who was out of town the day we stopped by the

company's offices.) knows. The question is whether New Orleans coffee drinkers are too firmly wedded to their local purveyors for a national chain to pry them loose.

PJ's, far from hunkering down in the face of high-powered competition, is adding franchisees (of the 21 stores, only four are company-owned). Ten more stores are "under construction," O'Rourke says, and PJ's is about to spend \$1 million to completely automate its roasting facilities.

The market for specialty coffee may appear saturated if you live in one of those big cities where there seems to be a Starbucks on every corner, but O'Rourke believes there's lots of room for growth—even in the New Orleans area, where PJ's already has 15 stores and is planning to open four more.

The Specialty Coffee Association, based in Long Beach, Calif., has forecast that there will be around 10,000 "coffee cafes" in the United States by sometime in 1999, ranging in size from portable carts to large chain stores. But such cafes are still concentrated on the West Coast, O'Rourke says, leaving vast areas under-cafeinated.

Likewise, even though consumption of specialty coffees has grown rapidly in recent decades, most people still don't drink lattes and mochas. The association's figures show specialty coffees accounting for less than 10 percent of "food-service" consumption in restaurants, fast-food stores, and the like.

"I feel some pressure to grow," O'Rourke says. "Phyllis feels some pressure to grow. But we're not going to do anything stupid." And what would be stupid, he thinks, is to try to grow too big. In competition with a giant like Starbucks, he thinks, a rival chain's very smallness may be its largest asset.

"Coffee is like wine," O'Rourke says. By that he means that coffee beans aren't fungible—the beans from different parts of the world differ as much as the grapes grown in France differ from those grown in California.

The analogy isn't perfect, of course—if it were, some aficionados would be paying \$25 for an extra-special cup of coffee and \$100 for a pound of beans. But as with winemakers, so with coffee companies: The bigger you get, the harder you must work to stay out of the mass-produced, grocery-store groove.

Its small size is thus an advantage for PJ's, O'Rourke says, because it's easier for the company to maintain high quality. Small, elite coffee growers who can fill all the needs of a chain like PJ's can't possibly fill a big chain's needs. "When it comes to product," he says, "we'll always be a little better."

The PJ's outlet that we visited in River Ridge, La., felt like a bright Southern kitchen, in contrast to Starbucks' gleaming Italian-bar look, and O'Rourke says the difference in atmos-

phere works to his company's advantage, too. Because the fixtures are so much less expensive, he estimates that it costs about half as much to open a PJ's as it does to open a Starbucks.

Small size means, too, that PJ's can roast its coffee beans in a way that would be inefficient for a large concern that needs to roast a lot more beans at a time. The company uses a Sivetz Fresh-Air Roaster, which O'Rourke compares to a hot-air popcorn popper; it's used by other small,

high-quality coffee companies, like Kaladi Brothers Coffee Co. in Anchorage, Alaska. One big advantage: It won't burn the beans, a hazard with other forms of roasting.

O'Rourke thinks that PJ's can grow to about 100 units—the target for the next four or five years—without compromising quality. "That's about as big as we want to be," he says. "We want to be a regional player that does what we do well. Being big is great, but it's also nice to be able to do things that you can't do anymore when you're big."

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Growing businesses share their experiences in creating and marketing new products and services.

Stepping Up To The Plate

By Carla Goodman

Start with natural cooking talent, add a popular restaurant and a television cooking show, mix in a few cookbooks, and sprinkle with weekly cooking classes, and you have professional chef Caprial Pence's winning recipe for a business that grosses \$500,000 a year.

Pence and her husband, John Pence, own Caprial's Bistro and Wine, a cozy restaurant in an unpretentious neighborhood in Portland, Ore. Caprial Pence, 35, was only 6 when she began watching Julia Child on television, and by age 10 she was cooking family dinners. In high school she put together a four-course French dinner for her French language class. "I like the instant gratification of seeing someone enjoy eating what you've prepared," she says.

After high school, Pence worked at a Portland delicatessen. A year later, she was admitted to the renowned Culinary Institute of America in Hyde Park, N.Y., where she met her future husband, who is also a chef. The school's challenging curriculum—designed to weed out the uncertain and the unskilled—fed Pence's determination to succeed.

"Graduation from the institute doesn't mean you're going to be the best chef, but it puts you at a level others aren't," says Pence, who graduated 12th in her class of 72. "I learned professionalism, discipline, and the ability to work under pressure."

After a summer job at a restaurant on the Washington coast, Pence was hired to be a cook at Fullers, a Sheraton Hotel restaurant in Seattle. Three years later, in 1987, she was promoted to chef, with a staff of 15. "It was a hard year taking on all that responsibility," says Pence. "It meant setting up the menu and kitchen the way that I wanted and teaching others how to cook and think about food as I did."

Pence exercised her new authority by scrapping Fullers' regular produce sup-

plier in favor of buying fresh produce from local farmers.

"Organic gardening was exploding then in Seattle, and I wanted to use a lot of locally grown ingredients and fresh seasonal produce," says Pence, who raised a few executive eyebrows when she did business with mushroom pickers at Fullers' back door.

In addition, she replaced Fullers' nouvelle cuisine—a French cooking style—with Asian influences. The result: a zesty "Pa-

cific Rim" cuisine featuring fresh fish and exotic flavors.

Pence's creativity at a restaurant already well-regarded by food critics attracted international attention. She was invited to cook for Russian diplomats in Moscow and for the sultan of Malaysia in Kuala Lumpur. And the New York City-based James Beard Foundation named her Best Chef in the Northwest in 1991.

"The award is the equivalent of the Oscars," says the foundation's president, Leonard Pickell. "Caprial was selected by her peers for her outstanding commitment to quality in the culinary world. She won by a landslide."

The media attention, travel, and long hours at Fullers took their toll. In search of a quieter lifestyle, the Pences moved to



PHOTO: © MICHAEL McDERMOTT—BLACK STAR

Carla Goodman is a free-lance writer in Sacramento, Calif.

Blending the ingredients of culinary accomplishment, chef Caprial Pence and her husband, John Pence, run Caprial's Bistro and Wine in Portland, Ore.

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MAKING IT

Portland in 1992, where they opened Caprial's under the aegis of their company, Northwest Cuisine.

Soon, Pence was on the road again. At Julia Child's request, she went to Boston to join 10 other accomplished chefs in cooking Child's 80th-birthday dinner, a fund-raising event with 650 guests.

Pence has continued to travel around the country—appearing at a fund-raiser for a public-broadcasting station in Philadelphia,

for instance, and taping a food segment for the Discovery Channel in Bethesda, Md. She's also completing her fifth book, *Caprial's Soups and Sandwiches*, due from Ten Speed Press before Christmas, and she's planning the second season of her "Cooking With Caprial" television show, carried by public stations in 150 cities.

"I manage the restaurant and make sure it's functioning," says John Pence. "Caprial is the focal point. People want to

meet her, taste the food, see the restaurant. We work well together. We have since our mid-20s."

The Pences are doubling the size of Caprial's Bistro and Wine. The extra space will accommodate a full bar and lounge; a big, open kitchen next to the bar; and a separate space, with its own kitchen, for Caprial's cooking classes. "It's great being one-on-one with my customers," she says. "That's what I like best."

When The Patent Runs Out

By Michael Barrier

Every company has to deal with the depreciation of assets. But what happens when one of those assets is central to the company's existence? Such was the case with Concrete Controls, the New Orleans company that Eduardo Guevara started more than 50 years ago, to exploit his newly patented process.

Guevara, 74, grew up on a sugar plantation in Cuba, and he traces the idea for his patent to what he saw there. "In sugar processing," he explains, "you produce a black liquor, a waste product. It still has some residual sugar in it, but you cannot get anything out of it."

The plantation spread this waste product on the fields to keep down the dust. The sugar waste interacted with the soil "and made it hard," he says, because the waste "is highly hygroscopic—it takes moisture" from its surroundings. "Eventually you have a very hard surface, until the rainy season begins, and then it's mud."

"That stayed in my mind," he says, after he came to the United States to attend Berea College in Kentucky on a swimming scholarship. (Cuba is an island, he notes—"there's lots of water.") He hit on the idea of mixing a hygroscopic substance like the sugar waste with Portland cement.

It's when cement is mixed with water, sand, and gravel that concrete results. "What you're trying to do," Guevara says, "is reproduce a piece of granite."

The use of concrete in large-scale structures—buildings, bridges, tunnels—requires an admixture to make the concrete less brittle and more durable. That principle was already known and had been put to work in concrete structures such as Hoover Dam in Nevada, but not in the way that Guevara did it.

His timing was right. Portland cement was at a premium in the late '40s, he says, "so if you could use less cement and produce the same strength"—which was the ultimate result of his process, because it accelerated the hardening of the con-

crete—"that was beneficial." Doing business as Guevara Associates, he sold the first drum of his patented product, called Edecon, in 1948.

He wound up in the New Orleans area, in part because he had family in the city, he says. "It was easy for me to blend in." Another inducement: New Orleans was home to a big manufacturer of ready-mix concrete. In a few years, he was selling to concrete producers in several Southern states.



PHOTO: © JACKSON HILL

After patenting a product for hardening concrete, Eduardo Guevara of New Orleans earned a reputation for expertise.

A waste product from paper mills, called lignin, was similar chemically to the sugar waste and superior for his purposes—"a more stable product," he says. The paper mills were happy to give him the lignin rather than dump it in the river; he had only the minimal cost of hauling the lignin from Bogalusa, La., to his plant. (Lignin is

still "my base raw material," he says, but now it costs more than \$300 a ton.)

Guevara's company—renamed Concrete Controls when he incorporated in the 1950s—now offers about three dozen products in its Edecon line, including more than a dozen admixtures. It has sales of around \$3.5 million annually. But his patent ran out long ago (patents were good for 17 years when his was issued), and Concrete Controls' sales are based now not on exclusivity but on expertise.

Even when the patent was in force, Guevara says, because Concrete Controls was so small, "I was used as a consultant more than as a producer. They'd call me when they had a problem—the concrete is setting too fast, the concrete is not setting."

Now he sells sophisticated advice as well as admixtures. "We're providing, in a sense, a tailor-made product" for each customer's local conditions, after examining the water, sand, gravel, and everything else that determines the durability of concrete.

"We have a big lab in the back where we do research for them," he says. "We bring sand here from the Andes to the Rockies. We bill them like a lawyer, by the hour." Some years, the company makes as much from consulting as it does from producing admixtures.

A company like his can keep going, he believes, by offering specialized services and high quality that big competitors can't match. Guevara's son and daughter work with him now in the 16-employee company, but Guevara himself plans to keep going at the head of Concrete Controls for the foreseeable future. "There's no such thing as retiring," he says.

A Role For Old Tires

By Donna Brown Hogarty

Here's the formula for a new product—one with so many possible uses that it could soon become a household item: Take some worn-out tires, grind the rubber into crumbs, then mix with a polyurethane binder. The result? Recycled rubber.

The mixture can be applied like cement to patch roads, for example, or to roof houses, line boats for better flotation, build access ramps for people with disabilities, or lay a track for runners. The recycled rubber is made water-resistant through a polyurethane sealing process that also increases the product's durability.

The raw material is plentiful—3 billion tires are stockpiled in U.S. landfills, according to the Scrap Tire Management Council in Washington, D.C.—and recycled rubber is cheaper than most of the products for which it can substitute.

"This is the only business I've even seen where someone will pay you to take the raw material and then someone else will buy the end product back from you," says Dave E. Emert, 49, owner of Emert Grinding Inc. in Somerset, Pa. His company developed the new recycled-rubber process and launched a division, Recycled Rubber Technologies (RRT).

Emert, a certified tool-and-die maker, credits his formulation of the idea to his strong survival instinct and his common sense. In the early 1990s, to keep Emert Grinding solvent, he had to rebuild the company by diversifying its services.

In 1991, the bottom fell out of the area's mining industry; 95 percent of Emert's business at the time came from supplying mines with drills used in bolting tunnel roofs in place. Three years later, Emert Grinding took another hit when Bethlehem Steel, a purchaser of cutting instruments and machine work, folded camp in nearby Johnstown, closing the door on roughly 75 percent of Emert's remaining business. "I

was an excellent candidate for bankruptcy," says Emert, who had to cut his crew to six workers in 1994 from 23 in 1991.

To keep afloat, Emert turned to recycling—a longtime interest. In 1988, his firm had begun a sideline business sharpening blades for machines used in turning plastic bottles into scrap material for recycling.



PHOTO: © SCOTT GOLDSMITH

Old tires take on new traffic when Dave E. Emert's Somerset, Pa., recycling firm converts them to highway-repair material and other products, such as flooring, below.

A short time later, Emert Grinding began to sharpen the blades used by tire-scrap dealers. Then an idea hit Emert: *Tires!* His business instincts told him that if he could find a way to recycle these environmental eyesores, he could make a fortune—and solve one of the nation's worst landfill problems.



He sought help on various questions from consultants, including research-and-development experts from Pennsylvania State University, a chemical firm in Missouri, and a polymer research team from New York. Eventually he came up with a cheaper way to scrap tires, which lowered the start-up costs for tire-scrap dealers from over \$600,000 to under \$100,000.

As a cost-saving measure, he bought a huge dishwasher from a prison and converted it to a mixer for the tire crumbs and polyurethane. The machine is still in use.

With six business plans behind him and \$400,000 invested in research and development, Emert is poised to expand the already impressive market for his recycled rubber. Although he has never advertised, companies nationwide have heard of his product and are trying it.

Walt Disney World uses RRT's recycled-tire floor mats to reduce fatigue for ticket takers who stand for long periods. The Pittsburgh Zoo uses the recycled rubber for its walkways. And Sears, Roebuck and Co. sponsored the installation of a recycled-rubber basketball court in Detroit as part of the city's "Fight Blight" program.

The recycled rubber has also been used to make sidewalks, flower pots, and parking-lot barriers. "We can make the rubber in 22 colors, in any size, shape, or density that the client desires," Emert says.

Emert projects that RRT's sales will reach \$1 million this year, twice last year's sales. He is working on an agreement with Wal-Mart Stores, Inc., to pave the retail chain's entrances, and new clients are coming from as far away as Belgium and China. Ultimately, Emert plans to franchise and open a tire-recycling school for prospective franchisees.

Emert's ability to recover from setbacks led to his firm being named a state honoree this year in the Blue Chip Enterprise Initiative program. Sponsored by Massachusetts Mutual Life Insurance Co. (known as Mass Mutual—The Blue Chip Company), the U.S. Chamber of Commerce, and *Nation's Business*, the program recognizes entrepreneurs who have overcome significant obstacles on their way to success.

"I believe the day will come," Emert says, "when recycled rubber will be traded" as a commodity among investors.

Donna Brown Hogarty is a free-lance writer in Bedford, Pa.

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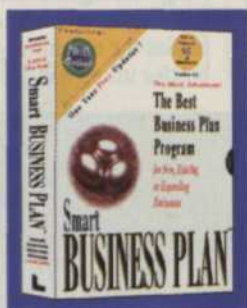


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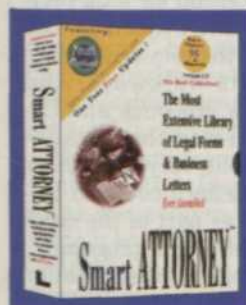
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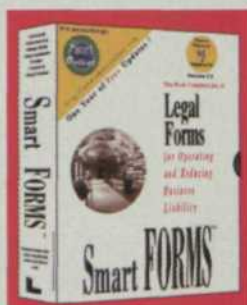


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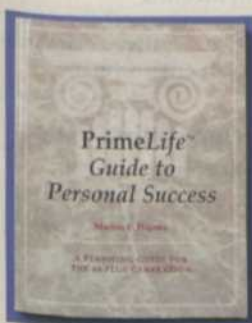


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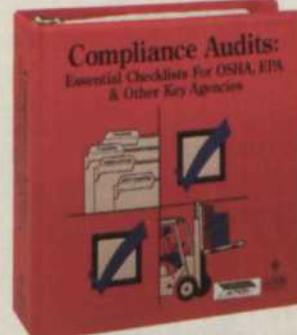


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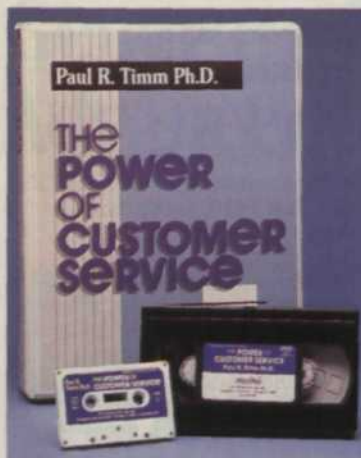


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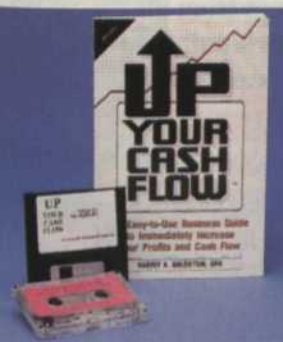
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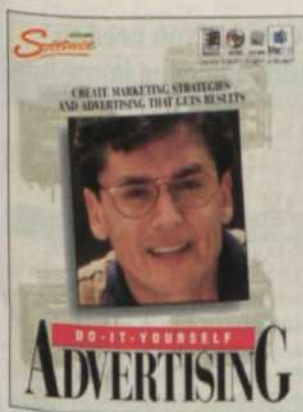


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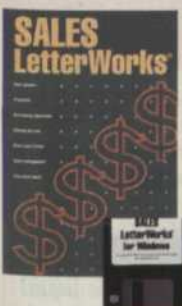
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Direct Line

Answers to our readers' questions about starting and running their businesses.

GETTING STARTED

Getting The Swing Of The Golf Business

I'd like to start a golf course. Where can I find the necessary information?

J.V., Vestal, N.Y.

The National Golf Foundation in Jupiter, Fla., calls itself "the world's foremost provider of golf business information." It can be reached by calling 1-888-643-2500 or by filling out an electronic form at www.ngf.org on the World Wide Web. Membership fees vary, but the foundation's standard corporate fee is \$1,000 a year.

Other groups you can contact include the Golf Course Builders Association of America in Chapel Hill, N.C., and the National Golf Course Owners

Association in Mount Pleasant, S.C. The builders group can be reached at (919) 942-8922 or through an electronic-mail link at www.gcbaa.org. The owners association can be reached at (803) 881-9956 or through an e-mail link at www.ngcoa.com.

The National Golf Foundation says anyone thinking of building a golf course should conduct a feasibility study to determine if the course could be profitable in the chosen location. Among the many companies providing such services is a consulting firm that is a subsidiary of the foundation. In addition, the organization has publications designed to help those interested in developing a golf course.

Golf is a rapidly growing business. The number of golfers age 12 and over in the United States has reached 26.5 million, a 33 percent increase since 1986. According to the foundation, almost 6 million people are avid golfers—meaning they play 25 or more rounds a year.

Today's typical golfer is a 39-year-old male who plays 21 rounds a year and has a household income of \$63,300. Golfers spend \$15.1 billion a year on equipment, related merchandise, and playing fees; they spend

\$2.2 billion for golf clubs alone. According to the latest figures, there are 16,010 golf courses in the United States. Florida leads the states with 1,170 courses, followed by California with 942 and Michigan with 906. At the end of 1997, 932 courses were under construction, and more than 700 were in the planning stages.



ILLUSTRATIONS: MARTHA VAUGHAN

Hoping To Cash In On Liquid Assets

We draw our home's water from a very productive aquifer. The water has tested very pure, and the supply is very strong. Where can we get information about marketing the water or setting up a bottling plant?

J.H., Madison, Maine

The umbrella group for such enterprises is the International Bottled Water Association (IBWA) in Alexandria, Va., whose 1,200-plus member companies produce and distribute about 85 percent of the bottled water sold in the United States.

For more information, call 1-800-928-3711 or visit the IBWA's Internet site at www.bottledwater.org. Membership fees vary according to a firm's annual sales.

Another useful resource site on the Internet is The Bottled Water Web, at www.bottledwaterweb.com. It is operated by the Arthur von Wiesenberger & Co. consulting firm of Santa Barbara, Calif.

According to industry sources, bottled-water sales in the United States last year totaled almost \$4 billion. Bottled water rep-

resented less than 2 percent of U.S. liquid consumption in 1981 but had grown to almost 7 percent in 1997, and the percentage is expected to double within three years.

Industry analysts say bottled-water consumption in the United States is growing faster than consumption of beer, soft drinks, or fruit juices. The increase is attributed to the health concerns of the aging baby-boom generation and the public's fears about the safety of tap water.

Because of the critical importance of consumer trust—not to mention the fact that bottled water's competition is as close as the nearest faucet—the IBWA has long been a proponent of strong regulations to ensure the safety and quality of bottled water.

The trade association works with all levels of government to help develop water-quality regulations, and it has drafted a model code for state governments to use in regulating bottled-water firms.

Bottled-water companies are covered by the U.S. Food and Drug Administration's regulations on quality, labeling, and manufacturing practices. State agencies typically are responsible for inspecting, sampling, analyzing, and approving sources of water. Under the federal rules, only approved sources of water can be used to supply a bottling plant.

A Device Designed For Helping Hands

I have developed a device to assist persons with weak hands or wrists. Are there groups for the disabled that I could contact?

M.F., Washington, D.C.

The U.S. Department of Education supports a major library and information center on disability issues, the National Rehabilitation Information Center in Silver Spring, Md. It can be reached at 1-800-346-2742. Much of its information is available on the Internet at www.naric.com/naric.

The center collects and disseminates the results of federally funded research projects. It also offers various services designed to support the development and use of products and technology for the disabled.

Among the programs it sponsors is the Rehabilitation Engineering Research Center—Technology Evaluation and Transfer,

GETTING STARTED

ON

based at the University of Buffalo in New York; (716) 829-3141. It screens and reviews new devices for the disabled. If a device is promising, the center can help with research and development.

To find out what kinds of products exist for the disabled, check out the electronic database of the Education Department's National Institute on Disability and Rehabilitation Research at www.abledata.com on the Internet. The institute requests that manufacturers wanting to list their products for the disabled mail a description of the devices and the contact information to: ABLEDATA, 8455 Colesville Road, Suite 935, Silver Spring, Md. 20910.

Toying With An Idea For A New Product

I want to locate companies that manufacture yo-yos, as I have an idea for a new product. Where can I find these companies? S.F., Long Lake, Minn.

The Toy Manufacturers of America (TMA) in New York City, whose nearly 300 members include the nation's largest toy makers, can be reached at (212) 675-1141 or

through an electronic-mail link at www.toytma.com on the World Wide Web. Membership fees vary.

Another group you can contact is the American Specialty Toy Retailing Association in Des Moines, Iowa. Call ASTRA at (515) 282-8192 or visit its Web site at www.astratoy.org. ASTRA describes its members as mostly owners of small toy stores, dedicated to providing "good toys, healthy play, and wholesome childhoods."

The association offers useful publications about the toy industry, including a directory of its member-manufacturers and other toy designers, inventors, importers, and toy-testing laboratories.

The TMA's *Toy Inventor/Designer Guide*—free with membership—describes ways to sell inventions or designs. Another TMA resource is the *American International Toy Fair Directory* (\$50), with more than 1,600 domestic and foreign toy manufacturers who participate in the annual trade show. The directory includes the names of toy companies and sales representatives, contact information, and descriptions of each company's products.

As any parent knows, children's play is serious business—and toys are a big industry. U.S. retail toy sales last year totaled almost \$22.6 billion, according to the TMA. The 10-year average growth rate is more than 5 percent.

The United States has a huge trade deficit in the toy sector, importing more than \$10.5 billion worth of toys in 1996 while exporting barely \$1 billion worth. The country's top three toy retailers are Toys 'R' Us (with about 19 percent of the market), Wal-Mart (15 percent), and Kmart (8 percent), according to the TMA. The federal government and legal experts note that manufacturing toys isn't all fun and games because of the risk of—and potential liability from—children being hurt or killed while playing with toys.

The U.S. Consumer Product Safety Commission has regulatory jurisdiction over 15,000 types of consumer products, including toys. For more information about the commission, call 1-800-638-2772 or visit its Web site at www.cpsc.gov.

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Editorial

Pointing The Way To Social Security Reform

It has long been apparent that demographics are driving the Social Security retirement program toward bankruptcy.

The accompanying chart depicts those forces. Social Security taxes to finance retirement benefits will fall below outgo in about 2015, and the U.S. Treasury is committed to covering the gap only until 2034.

The board of trustees of the Social Security program that pays retirement benefits to workers says in its 1998 report: "It is important to address the financing [situation] soon to allow time for phasing in any necessary changes and for workers to adjust their retirement plans to take account of those changes. ... The impact of the changes in the current program will be minimized if they are enacted soon."

Congress and the White House agree. Each is in the early stages of developing proposals for long-range reform of the system adopted in 1936—which seems like eons ago when one considers the economic, social, and demographic changes that have occurred since then.

The challenge is to design a system for 21st-century America. Although achieving that goal will involve a multiyear debate over specifics, an excellent set of guidelines for reaching workable solutions is already in place.

Developed by the U.S. Chamber of Commerce, the guidelines offer basic principles for reforms equitable to Social Security beneficiaries and to the taxpayers who provide their benefits.

The guidelines are based on the assumption, the Chamber says, that "the current pay-as-you-go system is unsustainable."

Reform proposals, the Chamber says, should:

- Address the system's long-term financing problems without burdening future generations with excessive debt or taxes to pay for the benefits of the current generation.

- Use capital-market efficiencies to provide advance funding of Social Security obligations and to encourage long-term investments.

- Require that employees, employers, and the government play roles in ensuring retirement-income security.

- Avoid significant reduction in Social Security retirement income and benefits.

- Encourage continuation of the voluntary, employer-sponsored retirement system.

- Prohibit government control of the investment of Social Security contributions.

- Require that benefit adjustments made for inflation reflect actual increases and decreases in the cost of living.

- Require that any increase in the retirement age reflect actual trends in age and health at retirement.

- Prohibit increasing payroll taxes to bring the system into balance.

- Reject means-testing for benefits.

These points touch on virtually all the reform suggestions that have been offered.

The effort to preserve the Social Security retirement system should be a program that recognizes the interests of beneficiaries and taxpayers while enhancing the national economic growth critical to the long-range survival of the system.

The many parties involved in this effort can make their jobs easier by starting with the blueprint prepared by a business organization with a long record of advancing economic policies that serve the national interest.

Trends Driving Social Security Reform

- [1] Total Number Of Beneficiaries, In Millions*
 [2] Years Of Life Expectancy At Age 65
 [3] Beneficiaries Per 100 Workers

	[1]	[2]		[3]
		Men	Women	
1960	13.7	12.9	15.9	20
1970	22.6	13.1	17.1	27
1980	30.4	14.0	18.4	31
1990	35.2	15.0	19.0	30
2000**	38.6	15.8	19.3	30
2010	44.5	16.3	19.5	34
2020	57.6	16.7	19.9	42
2030	69.9	17.1	20.4	49

* Recipients of retirement or survivor benefits; figures do not reflect payments for disability or medical care.

** Figures listed for this and subsequent years are estimated.

SOURCE: 1998 REPORT, BOARD OF TRUSTEES, OLD AGE AND SURVIVORS INSURANCE AND DISABILITY INSURANCE TRUST FUNDS

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THE BUSINESS ADVOCATE

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WHAT'S HOT

Tax Agenda



The U.S. Chamber wants Congress to pass a number of measures to cut or reform taxes, including one to extend crucial tax credits, before lawmakers

adjourn for the year in October. Details, Page 2A.

China's Trade Status



In a major trade victory, the Chamber helped fend off an attempt by some lawmakers in the

House to deny normal trade relations between the United States and China.

Border Gridlock

Immediate action by Congress is needed to avoid massive and costly delays at U.S. border crossings and entry points, says the

Chamber, which is asking lawmakers to delay implementation of a 1996 immigration-law provision. See Page 3A.

Legal-Reform Efforts



The Chamber's Institute for Legal Reform has undertaken a number of initiatives since it

was established in April, including efforts to pass legal-reform legislation and to highlight the liability implications of the year 2000 computer problem. Details, Page 7A.

Legal Victory Chamber Wins On Environmental Policy

The U.S. Supreme Court sided with the U.S. Chamber of Commerce and business in mid-August when it dismissed a citizens suit aimed at stopping a waste-treatment company from locating a plant in a minority neighborhood.

The case was based on the U.S. Environmental Protection Agency's environmental-justice policy.

The policy hinges on a perception by the EPA and some environmental and citizens groups that industrial facilities tend to locate in areas populated by minorities and poor people; therefore, according to the policy, state agencies' decisions to grant environmental permits to facilities have the effect of discriminating against the minority and poor residents living in those neighborhoods.

Federally funded policies and programs that discriminate against people based on their race, ethnicity, or national origin violate Title VI of the 1964 Civil Rights Act. Such programs include those of state environmental agencies that receive federal funds from the EPA.

The National Chamber Litigation Center (NCLC), an affiliate of the Chamber, filed a brief on behalf of the Pennsylvania environmental

protection agency in the case, *James M. Seif, Secretary, Pennsylvania Department of Environmental Protection vs. Chester Residents Concerned For Quality Living*.

The agency had issued an environmental permit to a waste-treatment facility that was planning to build its plant in Chester, Pa., an aging industrial city near Philadelphia.

A local citizens group filed a federal lawsuit to stop the waste facility, claiming that the state environmental agency's decision to issue the permit had the effect of discriminating against the mostly minority residents of Chester. The group cited as evidence the fact that since 1987 permits had been granted for five waste facilities in the city and only two had been approved for plants in the nonminority suburbs.

A federal District Court in Pennsylvania dismissed the suit, but the U.S. Court of Appeals for the Third Circuit in Philadelphia reversed that decision.

In its brief to the Supreme Court, the Chamber argued that the EPA's environmental-justice policy undercuts urban economic development. The Chamber was joined by the National Black Chamber of Commerce and



Continued On Page 6A





Pressure Rises For Trade Bill

An all-out effort by the U.S. Chamber was under way at press time to persuade Congress to grant the president fast-track trade-negotiating authority before it adjourns for the year.

The Chamber views fast-track authority as vital to creating trade opportunities for its members and to U.S. economic growth. Such authority would allow the president to negotiate with other countries on trade agreements that would be subject only to up-or-down votes of Congress. Such pacts could not be amended.

The House was scheduled to vote on the measure the week of Sept. 21. The Senate was expected to take up a broad trade bill, which included fast-track language, in late September.

Without fast-track negotiating authority, says the Chamber, U.S. businesses will lose their competitiveness in the global economy.

Also, the Chamber notes, fast-track authority is important because most countries will not enter into trade talks with the United States unless they are certain that agreements will not be changed by Congress.

Congress first approved fast-track authority in 1974 for President Ford. Subsequent measures, which typically have been in effect for several years, have been approved for every president since that time.

The AFL-CIO and many congressional Democrats oppose fast-track. They say trade agreements negotiated under the authority would hurt the U.S. economy and eliminate U.S. jobs.

If Congress has not voted on fast-track legislation by the time you receive this issue of The Business Advocate, contact your senators and representative immediately and urge them to vote for the measure. Lawmakers can be reached through the Capitol switchboard at (202) 225-3121.

Chamber Fights For Tax Reforms

As Congress moves toward a scheduled adjournment in early October, the U.S. Chamber is calling on lawmakers to pass tax measures to benefit business. Here's a summary of five tax priorities:

Estate And Gift Tax

The Chamber is supporting legislation that would phase out the estate and gift tax over 10 years.

Currently, the tax is imposed on the value of an estate—upon its transfer to an individual's heirs—above a certain lifetime exemption. The tax starts at 18 percent and can be as high as 55 percent depending on the value of the estate.

Measures pending in the House and Senate would reduce the tax rates by 5 percentage points each year beginning in 1999 and running through 2009.

Tax Credits

The Chamber wants a number of business tax credits extended, including the research-and-experimentation and work-opportunity credits. The latter

allowed companies to take a credit against taxes owed for hiring certain individuals, such as those on welfare.

Both the research-and-experimentation and work-opportunity credits expired June 30.

Alternative Minimum Tax

The Chamber is pushing for repeal of the alternative minimum tax for individuals and businesses. The AMT rule requires that taxes be calculated without certain deductions and other tax treatments. This often increases the amount of tax owed.

Capital-Gains Tax

The Chamber is urging further reduction in, and eventual elimination of, the capital-gains tax. The capital-gains-tax rate is as high as 20 percent for individuals and 35 percent for businesses.

Foreign Tax Rules

The Chamber is supporting efforts to simplify the tax rules related to U.S. firms' income derived from overseas operations.



New IRS Law Provides Relief

In a significant tax victory for business and the U.S. Chamber, President Clinton signed into law in late July a bill to overhaul the Internal Revenue Service.

Among other provisions, the act:

- Shifts the burden of proof in tax proceedings before the courts from the taxpayer to the IRS.
- Makes it easier for taxpayers to recover legal fees incurred in litigating disputes in which the IRS fails to make its case.

- Gives the agency's taxpayer advocate more power to speak for taxpayers and take actions on behalf of them.

- Makes it more difficult for the IRS to seize or file liens on the property of taxpayers with whom the agency has disputes.

- Creates an independent board to oversee the IRS. A majority of the board's members, appointed by the president and confirmed by the Senate, are to be from the private sector.



Delay Urged For Border-Crossing Provision That Could Hurt Firms

Concerned about prospects of massive traffic jams and delays in getting products to market, the U.S. Chamber is urging the House to delay implementation of a 1996 immigration-law provision that it says would cause the log-jams.

The provision, Section 110 of the Immigration Reform and Immigrant Responsibility Act of 1996, is scheduled to take effect Oct. 1.

It would require every airport, seaport, and land border entry point to the United States to have an automated entry-exit control system in place to collect data on every alien.

The U.S. Immigration and Naturalization Service, says the Chamber, does

not have the technology or the capability to implement the Section 110 requirements. The Chamber fears that the INS will rely on manual data collection, which likely would lead to massive delays at border-crossing points.

The Chamber is asking the House to follow the Senate's lead and approve a one-year delay in the provision so that a feasibility study on automated entry-exit control systems can be conducted.

The Senate also included language in a federal spending bill to repeal Section 110.

Call your representative immediately and urge him or her to support legislation that would delay Section 110. Dial the Capitol switchboard at (202) 225-3121.



PHOTO: ©CAMERON DAVIDSON—FOUO, INC.

Chamber Fights Bills That Would Increase Health-Care Costs

Warning of increases in costs and in the number of uninsured people, the U.S. Chamber was working at press time to beat back attempts in the Senate to pass anti-managed-care health legislation.

The main focus of the Chamber's efforts were S. 1890 and S. 2416, bills sponsored respectively by Sens. Edward M. Kennedy, D-Mass., and John H. Chafee, R-R.I.

Each of the measures would impose new health-care mandates on employers and expand medical-malpractice liability from health-care professionals to health-insurance carriers and employers who provide the coverage.

Analyses of the bills show that each

would lead to increases in health-care premiums. Studies, including one by the Congressional Budget Office, also have shown that for each 1 percent increase in health costs, 200,000 to 400,000 Americans lose health-care coverage.

A recent poll conducted by *Nation's Business*, the Chamber's monthly magazine, found that 67 percent of the business respondents would drop their employee health coverage if Congress approved a measure similar to the Kennedy or Chafee bill. Higher health-insurance premiums would affect their company's willingness to provide medical benefits to their workers, said 84 percent of the respondents.

Challenges Await, Says Donohue

Marking his first year at the helm of the U.S. Chamber, President and CEO Thomas J. Donohue offered his second Labor Day perspective on the state of business.



PHOTO: T. MICHAEL KEZA

Thomas J. Donohue

In a Sept. 7 press statement, Donohue praised small-business owners, managers, and entrepreneurs as "America's unsung heroes ... who have helped make America the world's greatest economy."

He noted that the unemployment rate is at its lowest level in decades, at around 4.5 percent nationally, because of the jobs created by business.

"On Labor Day 1998, thanks to the American entrepreneurial spirit, America's workers are enjoying larger paychecks and greater prosperity," he said.

In his weekly business column, Donohue warned employers and employees of the challenges that business faces, including economic crises in Asia, Russia, and South America and looming domestic issues, such as the need to cut taxes and to reign in government spending and regulations.

Since assuming leadership of the day-to-day operation of the Chamber last Labor Day, Donohue has tripled the size of the business federation's lobbying team, which has scored a number of important legislative victories on Capitol Hill; improved ties among the U.S. Chamber and state and local chambers of commerce; and challenged organizations that impede economic competitiveness and business growth, such as labor unions, plaintiffs' attorneys, and extreme environmentalists. Actions are under way to further strengthen the Chamber in the coming months.



Key Bills Pending As Congress Winds Up Work

The U.S. Chamber is closely watching numerous bills that could affect businesses as Congress moves toward a scheduled early October adjournment. Here's a partial rundown:

▲ Bankruptcy Reform

The Chamber is supporting a Senate measure (S. 1301) that would amend the nation's bankruptcy law to protect creditors—mostly businesses—from losing billions of dollars yearly as a result of customer bankruptcies.

The Senate is expected to consider its bill before Congress adjourns for the year; the House approved a similar bill in mid-June.

Both bills would make it harder for debtors to file under Chapter 7 of the bankruptcy law, which allows individuals and companies to wipe out nearly all of their debt regardless of their ability to repay. Instead, they would have to file for bankruptcy under Chapter 11 or Chapter 13, which require that most debt be repaid over three to five years under a plan worked out by a debtor, creditors, and the courts.

▼ Mandated Wage Hike

The Chamber is opposing efforts by some lawmakers to attach to pending legislation such as the Senate bankruptcy bill an amendment that would raise the federal minimum wage.

The amendment, proposed by Sen. Edward M. Kennedy, D-Mass., would raise the wage floor to \$6.15 an hour from the current minimum

of \$5.15 in two steps by Oct. 1, 1999.

The Chamber opposes raising the minimum wage because, it contends, such increases lead to wage inflation and a reduction in job opportunities.

▲ Immigration Reform

The Chamber is backing a House bill (H.R. 3736) that would increase the number of temporary visas for highly skilled immigrants.

The measure is similar to a Senate bill approved in May that would raise to 95,000 from 65,000 the allotment of such visas, designated as H-1B visas, for fiscal 1998. The Senate bill also would increase these visas for fiscal 1999 through fiscal 2002 to 105,000 annually. (Fiscal 1999 begins Oct. 1.)

The House legislation would increase the visas to 85,000 for fiscal 1998, 95,000 for fiscal 1999, 105,000 for fiscal 2000, and 115,000 for fiscal 2001 and 2002.

H-1B visas are designed to enable U.S. companies to hire foreign professionals for up to six years. The visas can be used by individuals who hold a bachelor's degree or have work experience in the field in which they are

being hired. Firms must pay H-1B workers the prevailing wage for their job category.

The Chamber says the additional visas are needed to address critical labor shortages in the United States.

▲ Labor-Standards Reform

The Chamber is asking the Senate to pass legislation (S. 2122) to alter a provision in a key federal labor law.

Currently, outside salespeople are exempt from the Fair Labor Standards Act of 1938, which sets wage and hour standards for workers, including the federal minimum-wage and overtime-pay requirements. Salespeople who work inside their employer's place of business, however, are covered by the FLSA.

The Sales Incentive Compensation Act, approved by the House in June, would reduce the distinction in the labor law between outside salespeople and certain inside salespeople.

The Senate bill, and one approved earlier this year by the House, would exempt from the FLSA inside sales employees who require "specialized or technical knowledge" about the prod-

uct or service they sell, who sell predominantly to repeat customers, or who are not required to initiate sales contacts.

To be exempt, such workers currently must be paid at least \$22,668 a year in base pay and incentives. Under a formula in the pending legislation, that minimum amount would increase whenever the federal minimum wage rises.

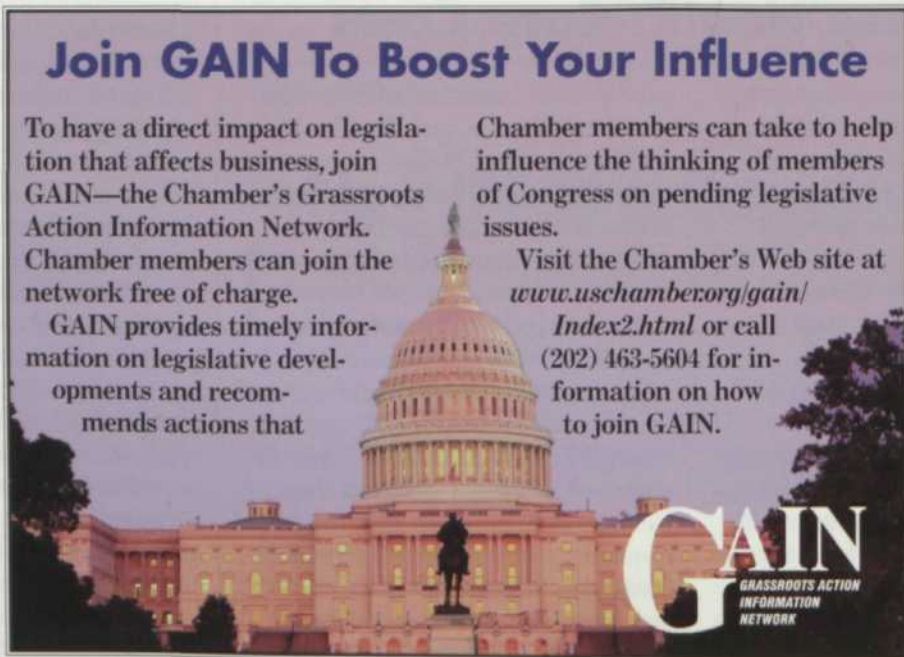
Join GAIN To Boost Your Influence

To have a direct impact on legislation that affects business, join GAIN—the Chamber's Grassroots Action Information Network. Chamber members can join the network free of charge.

GAIN provides timely information on legislative developments and recommends actions that

Chamber members can take to help influence the thinking of members of Congress on pending legislative issues.

Visit the Chamber's Web site at www.uschamber.org/gain/Index2.html or call (202) 463-5604 for information on how to join GAIN.





Activism Urged



PHOTO: ©KEN TOUCHTON

House Majority Leader Richard K. Armey, R-Texas, urged business owners at a recent Policy Insiders meeting at the U.S. Chamber to be more vocal in their support of trade legislation.



A record 52.7 million students are attending America's public and private elementary and secondary schools this fall, up about 500,000 from last year. Enrollment increases are expected until 2008, when an estimated 54.3 million children will be in kindergarten through grade 12.

—U.S. Department of Education

Sixty-seven percent of students who graduated from high school in 1997 enrolled at U.S. colleges or universities this fall. Last fall, 65 percent of secondary-school graduates sought higher education; the preceding five years, the percentage continuing their education held steady at about 62.

—U.S. Department of Labor,
Bureau of Labor Statistics

About 31 percent of state government expenditures in 1997—about \$276 billion—was for all levels of education, more than for any other spending category. Second at 23 percent was welfare, with spending totaling about \$203 billion.

—U.S. Department of Commerce,
Bureau of the Census

Business' Economic Confidence Falls Again, Latest Poll Finds

Confidence in the economy dropped for the second consecutive period among U.S. Chamber members responding to the Business Ballot poll conducted in August.

The Business Confidence Index, a measure of firms' optimism, fell to 51.9 in August from 58.2 in June. June's index was down from 63.6 in April. Last August, the index reached 64.1. The August 1998 index was the lowest since April 1994 when it was 49.9; the index was started in May 1990.

In the latest poll, the respondents who said that they believed that the economy is headed down over the next six months outnumbered by more than 2-to-1 those who believed that it is headed up.

Also, respondents gave a six-month outlook for their firms' sales and employment levels and expressed their views on Congress and the upcoming congressional elections. Following are complete poll results.

What is the six-month outlook for:

■ Your firm's sales?

Up	40.7%
Down	18.3%
No change	41.0%

■ Your firm's employment?

Up	23.2%
Down	12.3%
No change	64.5%

■ Where do you think the economy is headed over the next six months?

Up	15.7%
Down	38.0%
No change	46.3%

■ How do you view the current Congress?

OK	43.4%
Better than usual	34.2%
Worse than usual	22.4%

■ How much interest do you have in the November elections at this stage?

None	6.3%
A little	35.2%
A lot	58.5%

■ Would you like to see major changes in the membership of Congress?

Yes	55.0%
No	30.0%
Undecided	15.0%

Be sure to respond to this month's Business Ballot, in the plastic wrapper with this newsletter and your October Nation's Business.

Firms Gain Voice On Job Training

Businesses will have a key role in implementing state and local job-training programs now that President Clinton has signed into law a measure supported by the U.S. Chamber.

The legislation consolidates more than 60 federal job-training programs into block grants that will go to the states for use in setting up or improving their systems.

The Workforce Investment Act of 1998 calls for the formation of state-wide partnerships and local work-force

investment partnerships, with a majority of their representatives from business. The partnerships will establish criteria and standards for local job-training systems, create training systems, and oversee the certification of job-training service providers.

The job-training law allows state and local chambers of commerce and other business organizations to act as one-stop job-training centers where basic services, such as skills training, career counseling, and job banks, will be consolidated.

Chamber Backs More Candidates

In its latest round of political endorsements, the U.S. Chamber is backing 20 candidates in the Nov. 3 congressional elections.

The business federation previously endorsed 255 candidates for election to Congress. Sixteen were in Senate races, and 239 were in House contests.

Here are the candidates—with district numbers—endorsed in late August by the Chamber's board of directors:

SENATE

WISCONSIN

Rep. Mark Neumann

HOUSE

CALIFORNIA

20 Rep. Cal Dooley

46 Bob Dornan

COLORADO

2 Bob Greenlee

6 Tom Tancredo

INDIANA

10 Gary Hofmeister

MICHIGAN

10 Brian Palmer

MINNESOTA

7 Rep. Collin Peterson

MISSISSIPPI

4 Delbert Hoseman

NEW YORK

26 Bud Walker

27 Tom Reynolds

29 Chris Collins

NORTH CAROLINA

8 Robin Hayes

NORTH DAKOTA

AL Kevin Cramer

PENNSYLVANIA

15 Pat Toomey

SOUTH CAROLINA

4 Jim DeMint

TEXAS

24 Shawn Terry

25 John Sanchez

WISCONSIN

1 Paul Ryan

8 Mark Green

Legislation To Check Federal Rules At Critical Juncture In The Senate

In its drive to reduce regulations on American businesses, the U.S. Chamber is urging the Senate to approve legislation to reign in federal rulemakers.

The bill, the Mandates Information Act, would give lawmakers better information about the costs and consequences to the private sector of federal laws and rules.

Sponsored by Sen. Spencer Abraham, R-Mich., the bill would require the Congressional Budget Office (CBO) to estimate the impact of all bills' private-sector mandates on consumer prices, on workers' wages and employment opportunities, and on small-business hiring, expansion, and profitability.

It would allow a single lawmaker, through use of a point-of-order motion, to force the House or Senate to debate any provision or amendment that would cost the private sector \$100 million or more annually, as determined by the CBO analysis. If any provision exceeding the \$100 million threshold were added to legislation during a conference

committee, the measure would again be subject to a point-of-order motion.

Conference panels are formed to work out differences between competing bills passed by the House and Senate. A majority vote by the House or Senate would be required to waive a point



PHOTO: T. MICHAEL KEZA

Chamber Executive Vice President Bruce Josten urged the Senate to pass a bill to reduce federal rules on business.

of order and to allow consideration of the bill to proceed.

In mid-May the House approved a similar mandates measure, sponsored by Reps. Rob Portman, R-Ohio, and Gary A. Condit, D-Calif.

Call your senators at (202) 224-3121 immediately and ask them to support the Mandates Information Act.

Citizens Lawsuit Dismissed

Continued From Page 1A
the Pennsylvania Chamber of Commerce.

The high court ordered that the case be dismissed, thus leaving intact a U.S. District Court ruling that Title VI does not allow private citizens to bring cases for violations of the 1964 civil-rights law.

"We hope that the Supreme Court's action will send a strong message to



PHOTO: JOHN DEWEY

NCLC's Robin Conrad

the EPA to cease policies that drive businesses away from areas that are most in need of economic benefits," says Robin Conrad, NCLC senior vice president.

Despite the suit's dismissal, the EPA is moving forward on 26 complaints filed

with the agency that allege discrimination in the siting of industrial plants in minority and poor neighborhoods.



Legal-Reform Affiliate Pursues Aggressive Agenda

The Institute for Legal Reform, established as an affiliate of the U.S. Chamber in April, has been working on a number of issues to restore fairness and balance to the nation's legal system.

Here are highlights of the institute's recent efforts:

Legislative Push

The institute is championing several bills pending in Congress, including measures addressing auto-insurance reform, the so-called year 2000 computer problem, and class-action-lawsuit reform.

■ The Auto Choice Reform Act would require states to offer drivers the option of lowering their auto-insurance premiums in exchange for waiving the right to sue for "pain and suffering" in connection with an accident. It could reduce automobile insurance premiums significantly.

Under pending House and Senate bills (H.R. 2021 and S. 625), motorists could choose the new personal-protection-insurance (PPI) coverage or remain in the current auto-insurance system used by their state.

The PPI coverage would allow mo-

torists injured in auto accidents to recover only economic losses from their insurers, regardless of who caused the accident. PPI coverage would cost on average 24 percent less than current coverage options, according to a study by Congress' Joint Economic Committee.

■ The Year 2000 Readiness Disclosure Act (H.R. 4455) seeks to protect businesses from liability for losses caused by the year 2000, or Y2K, computer problem. (Some computers might crash or destroy or lose data on Jan. 1, 2000, because they will interpret "00" as 1900 rather than 2000.)

The legislation would prohibit the use in most legal proceedings of information a firm discloses about its Y2K problems and its attempts to fix them.

■ The Class Action Jurisdiction Act (H.R. 3789) would help ensure that class-action lawsuits between parties from different states can be more easily heard in federal courts rather than be required to be heard in state courts. Any party involved in such a lawsuit could request that it be heard in federal court.

The bill would grant to federal District Courts original jurisdiction over certain interstate class-action lawsuits.

State Judicial Elections

The institute held a conference on Sept. 15 to highlight the importance of business participation in state judicial elections.

Used as a case study were the critically important elections for the Alabama Supreme Court, where the business community is supporting state Supreme Court Justice Gorman Houston Jr.; Jean Brown, a state judge in the Court of Criminal Appeals; and Glenn Mur-

dock, a partner in a Birmingham law firm.

Judicial Contributions Study

In a study released in September, the institute examined the role of political-campaign contributions by plaintiffs' lawyers in Texas Supreme Court races.

The study found that from 1992 through 1996, Texas plaintiffs' lawyers contributed \$4.8 million to state Supreme Court candidates.

The institute's study debunks an analysis of the same races conducted by Texans for Public Justice. That organization's analysis concluded that businesses, not trial lawyers, were the primary contributors in the Supreme Court races and that the contributions affected the outcomes of companies' cases before the high court.

Board Selection

The institute's chairman, Donald Vinson, in mid-August announced the first 14 members of the organization's board of directors. Vinson is chairman emeritus of the California-based DecisionQuest Inc.

Among the prominent business and legal appointees are former U.S. Attorneys General Edwin Meese and Richard Thornburgh and former U.S. Energy Secretary John Herrington.

Year 2000 Conference Set

The institute will host a national conference on the year 2000 computer problem this fall.

The conference, to be held in Washington, D.C., will focus on ways to limit the litigation impact on business caused by Y2K problems. A date will be announced soon.

For more information about the U.S. Chamber Institute for Legal Reform and its programs and activities, call (202) 463-5335.



Here are some of the most important products, services, and programs offered by the U.S. Chamber.

Video On Year 2000 Computer Problem Available

The U.S. Chamber and the American Bankers Association have collaborated to produce a videotape that provides information on the year 2000 computer problem.

The video contains an overview of the problem and how it could affect companies' expansion plans.

Titled *Your Business, Your Bank and the Year 2000*, the video costs \$49.95. It can be ordered by calling 1-800-338-0626 or by visiting the Chamber's Web site at www.uschamber.org/programs/y2kvideo.html.

Workers' Comp Guide Offers New Data

The Chamber's 1998 *Analysis Of Workers' Compensation Laws*, a publication widely anticipated by many businesses, is available for \$15 to U.S.

Chamber

members and \$25 to nonmembers.

The analysis contains comprehensive information on the workers' comp laws in the 50 states, the District of Columbia, U.S. territories, and the Canadian provinces.

For each jurisdiction, the analysis includes information on insurance requirements and allowances, injury reporting and claim filing, and how to appeal decisions made under state workers' comp laws.

Bulk-order discounts are available. To order, write to the U.S. Chamber of Commerce, Domestic Policy Publications, 1615 H Street, N.W., Washington, D.C. 20062-2000, or call 1-800-352-1450.

Online Business Services

An online service that allows business people to create and distribute press releases about their companies or their products is available to U.S. Chamber members at a discount.

The service, known as DigitalWork, also includes programs to help companies with matters such as human resources, sales and marketing, finance, and information technology. Chamber members receive a discount on the programs they use.

The service can be reached on the Internet at www.usccwork.com or by calling 1-877-DIG-WORK (1-877-344-9675).

Discounts On IBM Computers

Chamber members can receive rebates on the purchase of certain computers from IBM Corp.

Rebates are available on IBM's ThinkPad 380D, 380E, and 770 notebook computers; Commercial Desktop 300PL and 300GL; and PC Server 325. To be eligible for the rebates, Chamber members must purchase the equipment through an authorized IBM Business Partner by Dec. 31.

For more information about the rebate program or to locate an IBM Business Partner, call 1-800-426-7255, Ext. 5101.

Retirement Plans At A Discount

Affordable, accessible, and convenient retirement plans are available to U.S. Chamber members through the Chamber and Fidelity Investments.

Fidelity has a package of retire-

ment plans—including 401(k) and SEP-IRA plans—and services that are offered at a discount to Chamber members.

Fidelity provides investment-management and record-keeping services as well as materials that employers can use to communicate with employees about the plans.

For more information, call Fidelity toll-free at 1-888-RET-PLAN (1-888-738-7526).



Fidelity Investments®

Free Materials Urging Employees To Vote

Members of the U.S. Chamber can receive free materials to use in encouraging their employees to register to vote and go to the polls on Nov. 3.

All 435 seats in the U.S. House of Representatives, 34 U.S. Senate seats, 37 governorships, and thousands of state and local offices are up for election this year.

Resources available to Chamber members include a poster, an envelope stuffer, and camera-ready artwork for producing materials aimed at getting out the vote. Companies and organizations that request materials will also receive a how-to manual for organizing a program to make it easy for employees to register and to vote at the polls or by absentee ballot.

To sign up for the Chamber's get-out-the-vote program and to receive free vote-promotion materials, visit the Chamber's Web site at www.uschamber.org or call the Chamber's Office of Membership Grassroots Management at (202) 463-5604.

REGISTER, VOTE
Make a Difference for Business

U.S. Chamber of Commerce

